

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | | |
|--|---|---|-------------------|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 7. If Unit or CA Agreement, Name and No. | |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 8. Lease Name and Well No. Hanging Rock Federal #11-15 | |
| 2. Name of Operator McElvain Oil & Gas Properties, Inc. | | 9. API Well No. 43-047-36889 | |
| 3a. Address 1050 - 17th Street, Ste. 1800 Denver, CO. 80265 | 3b. Phone No. (include area code) 303.893.0933 | 10. Field and Pool, or Exploratory Oil Springs 435 | |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1,867 FEL & 675' FSL (SWSE) Sec. 11, T12S-R23E S.L.B. & M. At proposed prod. zone same (vertical well) 644979X 39.782659 46104196Y -109.306999 | | 11. Sec., T., R., M., or Blk. and Survey or Area Sec. 11, T12S-R23E, S.L.B.&M. | |
| 14. Distance in miles and direction from nearest town or post office* 67 miles South-Southeast of Vernal, Utah | | 12. County or Parish Uintah | 13. State Utah |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 4,605' south of lease line | 16. No. of Acres in lease 10,092.71 | 17. Spacing Unit dedicated to this well 40.0 acres | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1,809' | 19. Proposed Depth 4,400' | 20. BLM/BIA Bond No. on file LPM 4138223 (nation-wide bond) | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,089' GL | 22. Approximate date work will start* October 2005 | 23. Estimated duration 20 Days Construction & Drilling | |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

| | | |
|--------------------------------------|---|------------------|
| 25. Signature | Name (Printed/Typed) E. Reed Fischer | Date 7/6/05 |
| Title Operations Engineer | | |
| Approved by (Signature) | Name (Printed/Typed) BRADLEY G. HILL | Date 07-14-05 |
| Title ENVIRONMENTAL SCIENTIST III | | |

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Federal Approval of this
Action is Necessary

RECEIVED
JUL 08 2005
DIV. OF OIL, GAS & MINING

T12S, R23E, S.L.B.&M.

McELVAIN OIL & GAS PROP., INC.

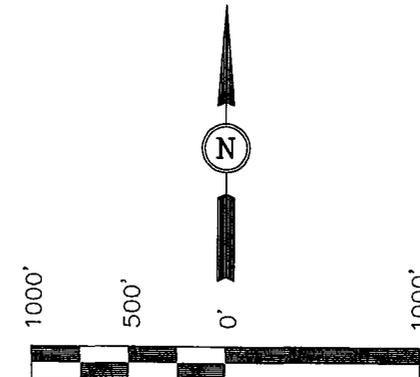
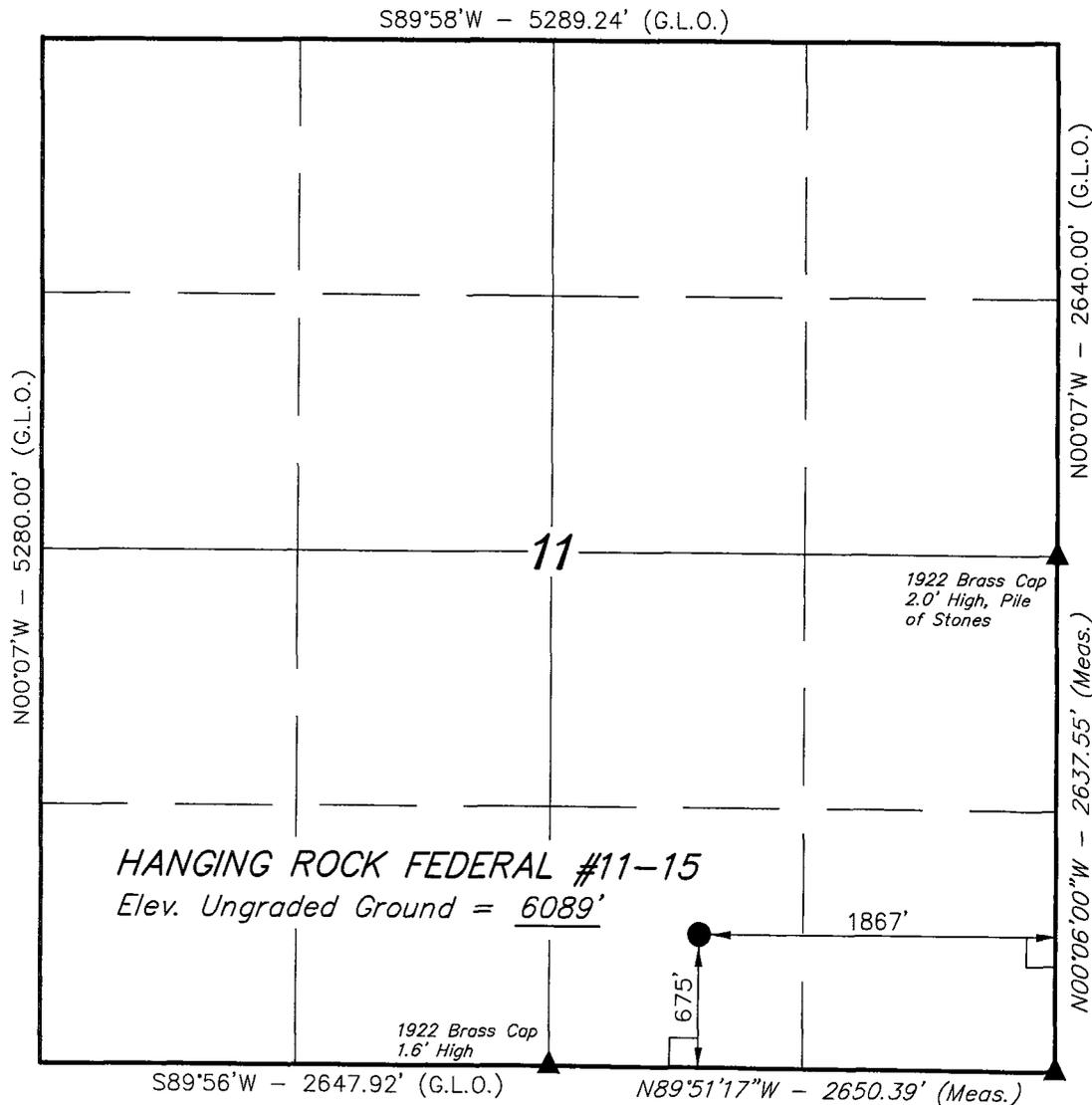
Well location, HANGING ROCK FEDERAL #11-15, located as shown in the SW 1/4 SE 1/4 of Section 11, T12S, R23E, S.L.B.&M., Uintah County, Utah.

BASIS OF ELEVATION

BENCH MARK 86 EAM LOCATED IN THE NE 1/4 SE 1/4 OF SECTION 11, T12S, R23E, S.L.B.&M. TAKEN FROM THE ARCHY BENCH SE, QUADRANGLE, UTAH, UINTAH COUNTY, 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY THE UNITED STATES DEPARTMENT OF THE INTERIOR, GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING 6020 FEET.

BASIS OF BEARINGS

BASIS OF BEARINGS IS A G.P.S. OBSERVATION.



SCALE
CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE PLAT WAS PREPARED FROM FIELD NOTES OF ACTUAL SURVEYS MADE BY ME OR UNDER MY SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Robert L. King
REGISTERED LAND SURVEYOR
REGISTRATION NO. 161519
STATE OF UTAH

REVISED: 05-26-05 P.M.

UINTAH ENGINEERING & LAND SURVEYING
85 SOUTH 200 EAST - VERNAL, UTAH 84078
(435) 789-1017

- LEGEND:**
- = 90° SYMBOL
 - = PROPOSED WELL HEAD.
 - = SECTION CORNERS LOCATED.

(AUTONOMOD NAD 83)
LATITUDE = 39°46'57.58" (39.782661)
LONGITUDE = 109°18'27.63" (109.307675)

(AUTONOMOD NAD 27)
LATITUDE = 39°46'57.69" (39.782692)
LONGITUDE = 109°18'25.21" (109.307003)

1922 Brass Cap
0.8' High, Pile
of Stones

| | | |
|---------------------------|--|-------------------------|
| SCALE 1" = 1000' | DATE SURVEYED: 03-03-05 | DATE DRAWN: 03-06-05 |
| PARTY S.H. L.M. D.R.B. | REFERENCES G.L.O. PLAT | |
| WEATHER COLD | FILE McELVAIN OIL & GAS PROP., INC. | |

Ten Point Plan

McElvain Oil & Gas Properties, Inc.

Hanging Rock Federal # 11-15

Surface Location SW ¼, SE ¼, Section 11, T12S-R23E, SLB&M
Uintah County, Utah

1. Surface Formation

Uintah

2. Estimated Formation Tops and Datum

(Datum Assumes 12' KB above ungraded GLE of 6,089' from sea level = 6,101' KB)

| <u>Formation</u> | <u>Top @ Drill Depth</u> | <u>Datum</u> | <u>Anticipated Fluids</u> |
|------------------|--------------------------|--------------|---------------------------|
| Uintah | Surface | +6101' KB | |
| Green River | 601' | +5500' KB | |
| Uteland Butte | 2601' | +3500' KB | |
| Wasatch | 2701' | +3400' KB | Gas, Water |
| Mesaverde | 4301' | +1800' KB | Gas, Water |
| Estimated TD | 4400' | +1701' KB | |

Potential formation objectives include the Green River, Uteland Butte, Wasatch and Mesaverde. Primary objectives will be the Wasatch and Mesaverde.

3. BOP and Pressure Containment Data

Formation pressures are anticipated to be normally or slightly under-pressured with a maximum bottom hole pressure of slightly less than 1,900 psi (pressure gradient of less than 0.435 psi/ft).

A 2000-psi WP BOP system, as described in 43 CFR 3160 "Onshore Oil and Gas Order #2" will be utilized. The system will consist of a 2,000 psi double ram preventer with one blind and one pipe ram. The system may, depending on the drilling rig's substructure clearance, utilize an annular preventer above the rams, but the annular preventer would only be utilized in conjunction with the double rams. A rotating head may be installed above the annular preventer. Please refer to the attached BOP diagram for the double ram configuration. The choke and kill lines will be a minimum diameter of 2 inches, and the choke manifold will have a 2,000 psi or higher pressure rating. The BOP system, including the surface casing, will be pressure tested following initial installation and prior to drill-out of the surface casing. Pressure tests will be conducted to the minimum standards set forth in "On Shore Order #2". The BOP will be mechanically checked daily during the drilling operation.

4. Proposed Hole, Casing and Cementing Data

Hole & Casing Configuration

| <u>Hole Size</u> | <u>Hole Interval</u> | <u>Casing Size</u> | <u>Setting Depth</u> | <u>Casing New/Used</u> |
|------------------|----------------------|--------------------|----------------------|------------------------|
| 12 1/4" | 0 - 320' | 9 5/8" | 300' | New |
| 7 7/8" | 320 - TD | 4 1/2" | T.D. | New |

Casing Properties

| <u>Csg Size</u> | <u>Csg Wt./Ft</u> | <u>Csg Grade</u> | <u>Csg Thread</u> | <u>Csg Collapse</u> | <u>Csg Burst</u> | <u>Csg Tensile</u> |
|-----------------|-------------------|------------------|-------------------|---------------------|------------------|--------------------|
| 9 5/8 | 32.3 | H-40 | ST&C | 1,400 psi | 2,270 psi | 254,000# |
| 4 1/2 | 11.6 | J-55 | LT&C | 4,960 psi | 5,350 psi | 162,000# |

If used, conductor pipe will be set at approximately 40' and have a 14" minimum outside diameter.

Cement Program

| <u>Casing Size</u> | <u>Cement Type</u> | <u>Cement Amount</u> | <u>Cement Yield</u> | <u>Cement Weight</u> |
|--------------------|---|----------------------|---------------------|----------------------|
| 9 5/8" | Premium + 2% CaCL + 0.25 lb/sk. Cello Flake. | 160 sacks | 1.18 cf/sk | 15.6 lbs/gal |

Above surface casing cement volume based upon 75-100% excess for cement to surface

| | | | | |
|--------|---|-----------|------------|--------------|
| 4 1/2" | <u>Lead</u> (2300'-surface) Premium + 16% Gel + 1% Econolite + 5#/sk Gilsonite + 1.5#/sk Granulite + 0.25#/sk Flocele + 3% Salt | 175 sacks | 3.81 cf/sk | 11.0 lbs/gal |
|--------|---|-----------|------------|--------------|

| | | | | |
|--|--|-----------|------------|--------------|
| | <u>Tail</u> (TD to 2300') Premium-AG + 2% Gel + 0.5% Halad(R)-9 + 0.3% CFR-3 + 2% Microbond + 0.1% Super CBL | 400 sacks | 1.52 cf/sk | 14.2 lbs/gal |
|--|--|-----------|------------|--------------|

Above cement volumes based upon 25% excess, or if accurate caliper log obtained, 15% excess for cement to surface.

A stage tool may be run if drilling conditions indicate a two stage job is warranted or if favorable mud log shows and elog responses indicate potential pay in the Uteland Butte or Green River Formation.

Float Equipment & Centralizers

Surface casing will be single staged with guide shoe, 1 joint casing, baffle. A minimum of 3 bow spring centralizers will be run on bottom as follows: Center of shoe joint, top of 1st casing connection & top 2nd casing connection.

Production casing will be single staged with float shoe, 1 joint casing, float collar. A minimum of 3 centralizers will be run on bottom plus additional centralizers run through potential pay zones in the tail cement interval.

5. Mud Program

| <u>Interval</u> | <u>Mud Type</u> | <u>Mud weight lbs./gal.</u> | <u>Viscosity Sec./Qt.</u> | <u>Fluid Loss MI/30 Min.</u> |
|---------------------|-----------------|---------------------------------|-------------------------------|----------------------------------|
| 0 - 320' | Air & Mist | | | No Control |
| 320 - 2,100' | Water | 8.4 - 8.8 | 28 - 36 | No Control |
| 2,100 - 4,400' (TD) | Water/Gel | 8.8 - 9.4 | 32 - 42 | 8 - 10 |

Unless hole conditions dictate otherwise, mud-up is anticipated to start approximately 500' above the Uteland Butte formation.

6. Testing, Coring, Sampling and Logging Program

- a) Test: None are anticipated.
- b) Coring: There is the possibility of sidewall coring.
- c) Sampling:

Mud loggers will be scheduled for call-out following drill-out of the surface casing. The rig-up of gas detection equipment and recovery of cuttings samples will start at the bottom of the Green River formation at approximately 2300' drill depth. Initially, a 30 foot sampling frequency will be scheduled. Depending on drill rates and shows, and at the geologist's discretion, the frequency of obtaining cuttings samples may be increased to 10 foot intervals.

- d) Electric Logging:

| <u>Type</u> | <u>Interval</u> |
|--------------------------------------|-----------------------|
| Array Induction-Gamma Ray-SP-Caliper | TD to Surface Casing |
| Density-Neutron-Gamma Ray-SP-Caliper | TD to Surface Casing |
| Cement Bond Log-Gamma Ray | PBTD to Top of Cement |

7. Abnormal Conditions

Oil and gas shows are anticipated but no abnormal pressures, temperatures or other hazards are anticipated. Other wells drilled in the area have not encountered H₂S. Anticipated formation pressures are expected to be "normally pressured" (0.435 psi/ft) or slightly under-pressured with a maximum bottom hole pressure of slightly less than 1,915 psi. Maximum anticipated surface pressure equals approximately 950 psi (Normal pressure gradient less partially evacuated hole times depth: 0.435 psi/ft – 0.22 psi/ft x 4,400' TD = 946 psi).

8. Anticipated Starting Date & Drilling Schedule

Location building and well spud is anticipated within 120 days of McElvain's receipt of an approved drilling permit and conditioned upon lease wildlife stipulations. Duration of location construction, drilling & completion operations is expected to be approximately 40 aggregate days comprised of 7 construction days, 2 move-in/rig-up days, 10 drilling days, 2 rig-down/move-out days, 1 location prep day, 12 completion & testing days & 5 battery construction days.

9. Variances

Operator requests a variance to regulations requiring a straight run blooie line (when possible, a straight run blooie line will be used).

Operator requests a variance to regulations requiring an automatic igniter or continuous pilot light on the blooie line.

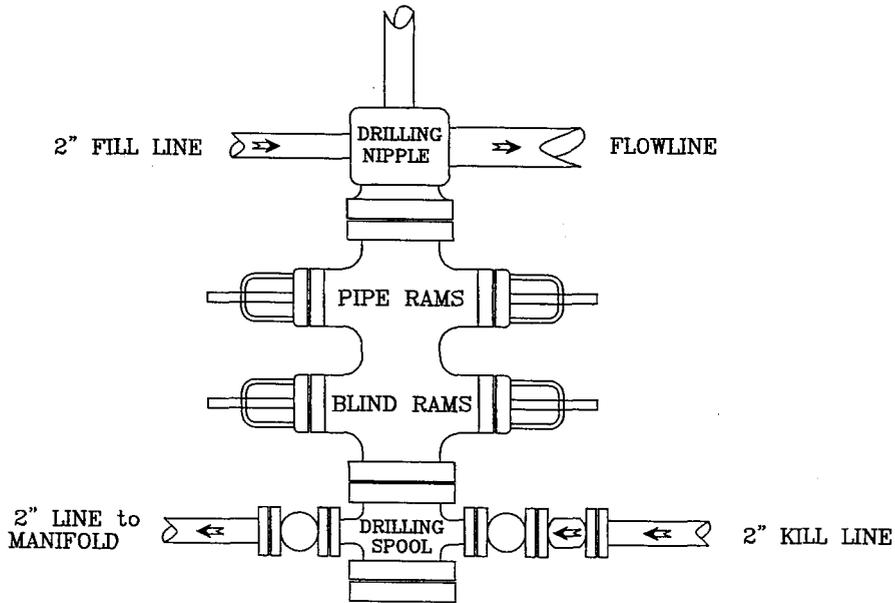
In order to reduce location excavation and surface disturbance, Operator requests a variance to regulations requiring the blooie line be 100' in length. Operator requests approval to utilize a 75' blooie line.

10. Other

A Cultural Resource Inventory Report for the well pad, access road and pipe line is attached. This archaeological survey was conducted by Sagebrush Consultants, LLC and their report #1398 indicates that "no cultural resources were located during this inventory".

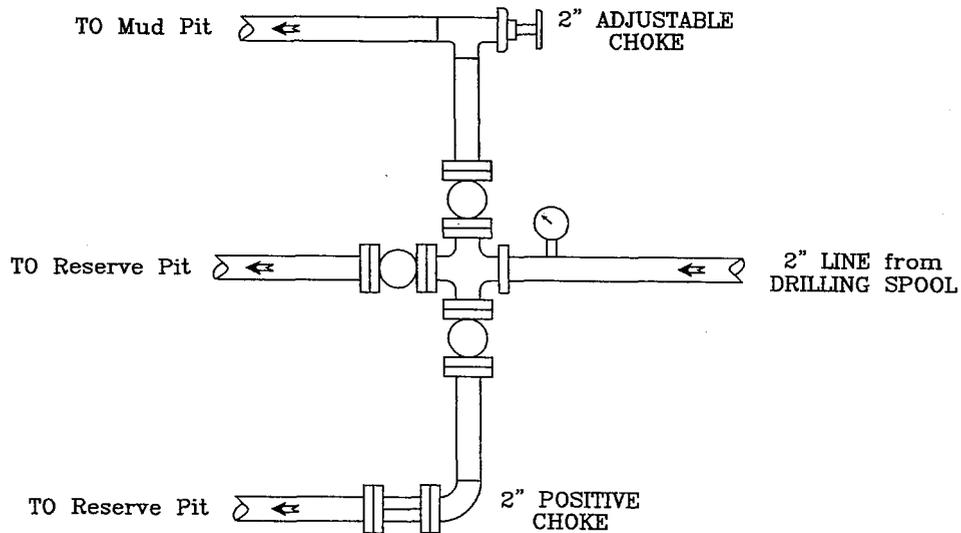
PRESSURE CONTROL

Wellhead Assembly



Preventer and Spools are to have a
9" Bore or larger and a 2000 PSI
or higher Pressure Rating

Choke Manifold



McElwain Oil & Gas Properties, Inc.

Hanging Rock Federal #11-15

McELVAIN OIL AND GAS PROPERTIES, INC.

13 POINT SURFACE USE PLAN

HANGING ROCK FEDERAL #11-15

SW ¼ SE ¼

SEC. 11, T12S-R23E, S.L.B.&M.

UINTAH COUNTY, UTAH

LEASE NUMBER: UTU-57455

SURFACE MANAGER/OWNER:

BUREAU OF LAND MANAGEMENT

1. Existing Roads

To reach the proposed Hanging Rock Federal #11-15 well in Section 8, T12S-R24E:

Starting in Vernal, Utah

East and southeast from Vernal on Highway 40 to Highway 45 at Naples, Utah where a sign indicates the direction to Bonanza Power Plant.

Right (south) \pm 36 miles on Highway 45 to Bonanza, Utah.

Proceed south (past Bonanza and White River) on Highway 45 an additional \pm 5 miles to mile marker "0".

Left (southeast) at mile marker "0" on gravel road. BLM sign indicates this is the access road leading to "Rainbow Junction" and "Baxter Pass" (Uintah Cnty Rd # 4180)

Proceed south/southeast on gravel road approximately 3.7 miles to a "Y" in the road at sheep corrals known as the "Greek" corrals.

Right at the "Y" by the "Greek" corrals towards Atchee Ridge and Rainbow (Uintah Cnty Rd #4190).

Proceed \pm 8.5 miles to a junction.

Left at the junction towards "King's Well" and "Rainbow" (continue on Rd #4190)

Proceed only \pm 0.6 miles to another junction.

Right at junction towards "Kings Well" and head southwest (continue on Rd #4190)

Proceed \pm 9.0 miles on "Kings Well" road to an intersection with the Asphalt Wash road coming in from the north.

Veer Left at this junction with Asphalt Wash and continue in a southwesterly direction on Rd #4190 an additional 1.25 miles to the proposed access road which leads off to the west.

Right at proposed access road and head west approximately 0.15 miles into the proposed Hanging Rock Federal #11-15 well-site location.

Total distance from Vernal, Utah to the proposed well is approximately 67 miles.

All existing roads from Vernal, Utah to the access road are classified as State or County Class D roads.

Anticipated road up-grading and new road construction will occur on approximately 850 feet of access road adjoining and lying immediately east of the proposed location.

Please see the attached map B for additional details.

2. Planned access road

The proposed location will require approximately 850 feet of new road construction.

The new road will be built to the following standards:

| | |
|--------------------------------------|-------------|
| A) Approximate length | 850 Ft. |
| B) Right of Way width | 30 Ft. |
| Running Surface | 18 Ft. |
| C) Maximum grade | < 5% |
| D) Turnouts | None |
| E) Major cuts and fills | None |
| F) Culvert | None |
| G) Surfacing material | Native Soil |
| H) Fence crossing | None |
| I) Road flagged | Yes |
| J) Access road surface manager/owner | BLM |
| K) Pipe line crossing | One |
| L) Stream crossings | None |
| M) All new construction on lease | Yes |

Please see the attached location Map B for additional details.

Access roads and surface disturbing activities will conform to standards outlined in the Bureau of Land Management and Forest Service publication: Surfacing Operating Standards for Oil and Gas Exploration and Development, 1989. This is also referred to as the Gold Book.

The road will be constructed to meet the standards of the anticipated traffic flow and all-weather road requirements. Construction shall include ditching, draining, graveling, crowning, and capping the road bed, as necessary, to provide for a safe well-constructed road. Prior to construction, the road shall be cleared of any snow cover and allowed to dry. Travel off the 30 foot right-of-way will not be allowed. Road drainage crossings shall be of the typical dry creek drainage crossing type (unless specified differently). Crossings will be constructed so they will not cause "silt-up" or accumulation of debris in the drainage crossing, nor shall the drainages be blocked by the roadbed. Erosion of the drainage ditches by runoff water shall be prevented by diverting water at frequent intervals by utilizing cutouts. Up grading will not be constructed during muddy conditions. Should mud or dust holes develop, they will be filled in and detours around them avoided.

3. Location of existing wells

The following wells are located within a one mile radius of the location site.

| | |
|----------------------------|-------|
| A) Water well | None |
| B) Abandoned well | Three |
| C) Temp. abandoned well | None |
| D) Disposal well | None |
| E) Drilling/Permitted well | None |

| | | |
|----|--------------------------------|------|
| F) | Producing well | Four |
| G) | Shut in well | None |
| H) | Injection well | None |
| I) | Monitoring or observation well | None |

Please see the attached map C for additional details.

4. Location of tank batteries, production facilities, and production gathering service lines.

A) Production Facility

All production facilities will be contained within the proposed location site. Please see the attached plan for a typical gas well equipment and pipe lay-out.

All permanent structures (on site for six month or longer), constructed or installed, will be painted a flat, non-reflective, earth-tone color to match one of the standard environmental colors. Facilities required to comply with O.S.H.A. (Occupational Safety and Health Act) will be excluded.

All tanks will be surrounded by a dike of sufficient capacity to contain the storage capacity of the largest tank in the battery. The integrity of the dike will be maintained.

If the well is capable of economic production, a gas gathering line will be required.

B) Gas Gathering Line

The Operator proposes to install approximately 800 feet of steel gas gathering line if an economic well is drilled and completed. Construction of the gathering line will start at the #11-15 well site location and head east along the southern edge of the new access road until reaching the proposed tie-in point with an existing gathering line located in the SESE portion of Section 11, T12S-R23E.

Please see map D for gathering line location.

The gathering line will not require an off lease right-of-way.

The line will be a 3-4" steel line, depending on the anticipated well deliverability.

Max operating pressure will be 500 psi.

The operating temperature of the gathering system will reflect the daily ambient temperature of the area.

At this time, there are no plans for on-site compression or pumping stations.

The gathering line will not be hydrostatically tested.

The pipe line will be laid and utilized above ground. The pipe line will be removed when there is no continuing need for this gathering line. Prior to removing the line, an onsite will be requested with the BLM to insure that the removal and reclamation will conform to all applicable BLM regulations and requirements.

There will be no additional surface disturbances required for the installation of a gathering line. The pipeline will be welded together and pulled from the well-site location and tie-in points when practical, although it may be necessary to utilize small segments of the access road for some of the pipe line welding. The line will then be boomed off to the side of the road.

A gas meter will be located within 500' of the well head. The gas line will be buried or anchored down from the well head to the meter. Meter runs will be housed and/or fenced.

The gas meter will be calibrated and the production tank(s) strapped in place prior to any sales deliveries from the well. All measurement facilities will conform to API (American Petroleum Institute) and AGA (American Gas Association) standards for gas and liquid hydrocarbon measurement.

5. Location and type of water supply

Water for drilling and cementing the subject well will fresh water and will be trucked by contractor Tu & Frum, Inc. Depending on road conditions, water will be trucked from: Rose Wood Resources flowing water well, Well #5A, in Section 24 T11S-R23E, water permit number 49-1547, and/or Willow Creek, 30 miles southwest of Vernal in Sec. 29, T12S-R21E, permit #T-75377, and/or the White River in Sec. 23, T10S-R23E, permit #T-75517. Completion water will come from the same supply or from the City of Vernal, Utah.

6. Source of construction materials

All construction material for this location site and access road shall be borrowed material accumulated during construction of the location site and access road. Additional road gravels or pit lining material will be obtained from private sources.

7. Methods for handling waste disposal

A) Pit construction and liners:

The reserve pit will be approximately 8 to 10 feet deep and most of the depth shall be below the surface of the existing ground. Please see the attached plat for details.

The reserve pit will not be lined unless the pit is blasted or soil conditions warrant a pit liner.

If a plastic liner is required by the BLM or used by the operator, it will be a nylon reinforced liner. It will be a minimum of 12 mil thickness with sufficient bedding (i.e. weed free straw or hay, felt, or soil) to cover any rocks. The liner will overlap the pit walls and be covered with dirt and/or rock to hold it in place. No trash, scrap pipe, etc., that could puncture the liner will be disposed of in the pit.

The pit will be used to hold non-flammable materials such as drilling make-up water, drill cuttings, salt, drilling fluids, chemicals, produced fluids, etc.

B) Produced fluids

Produced water will be confined to the reserve pit, or if deemed necessary, a steel storage tank will be utilized for water storage for a period not to exceed 90 days after initial production. Produced water accumulated after the initial production and testing period will be stored in steel tank(s) before truck removal to an authorized disposal pit or injection well.

C) Garbage

A trash cage fabricated from expanded metal will be used to hold trash on location. All trash will be removed to an authorized landfill location.

D) Sewage

A portable chemical toilet will be supplied for human waste during the drilling operation.

E) Site clean up

After the drilling and the completion rig is moved off the location, the well site area will be cleaned and all refuse removed.

F) Hazardous Material Statement

No chemicals subject to reporting under SARA Title III (hazardous materials) in an amount greater than 10,000 pounds will be used, produced, stored, transported, or disposed of annually in association with the drilling, testing or completion of the well. Furthermore, no extremely hazardous substances, as defined in 40 CFR

355, in threshold planning quantities, will be used, produced, stored, transported, or disposed of in association with the drilling, testing or completion of the well.

8. Ancillary facilities

There are no ancillary facilities planned at this time and none are foreseen in the future.

9. Well-site layout and location

The proposed location has been staked at 675' FSL & 1,867' FEL of Section 11, T12S-R23E.

Well-site layout

Location dimensions are as follows:

| | | | |
|---------------|-----------|-------------------------|-----------------|
| A) Pad length | 345 ft | G) Max fill | 13.1 ft |
| B) Pad width | 160 ft | H) Total cut yards | 16,480 cu. yds. |
| C) Pit depth | 8 – 10 ft | I) Pit location | Northeast |
| D) Pit length | 150 ft | J) Top soil locations | corner C, D & 2 |
| E) Pit width | 70 ft | K) Access road location | Northeast side |
| F) Max cut | 27.2 ft | L) Flare pit | Corner C |

Please see the attached location diagram for additional details.

The reserve pit will be fenced on three sides during drilling operations. The fourth side will be fenced when the drilling rig is removed from the location. The fence will be maintained until clean-up.

All pits will be fenced according to the following minimum standards:

- A) Thirty-nine inch net wire shall be used with at least one strand of barb wire on top of the net wire. Barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence.
- B) The net wire shall be no more than 2 inches above the ground. The barbed wire shall be 3 inches above the net wire. Total height of the fence shall be at least 42 inches.
- C) Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.
- D) Standard steel, wood or pipe posts shall be used between the corner braces. Maximum distance between any two posts shall be no greater than 16 feet.

- E) All wire shall be stretched by using a stretching device before it is attached to the corner posts.

10. Plans for restoration of the surface

Prior to construction of the location, the top 6 inches of soil material will be stripped off the location and the pit area. This stripped top soil will amount to approximately 1,640 cubic yards of material. Topsoil will be stockpiled in two piles. Placement of the topsoil is noted on the attached location plat. The stock piled topsoil will be seeded with the seed mix dictated by the BLM. When all drilling and completion activities have been completed and the pit back-filled, the topsoil from the pit area will be spread on the pit area. The pit area will be seeded when the topsoil has been spread. The unused portion of the location (the area outside the dead men) will be re-contoured.

The dirt contractor will be provided with an approved copy of the surface use plan prior to construction activities.

A) Producing location

Following the back-fill of the reserve pit, the natural drainage pattern shall be restored, as nearly as practical, to its original line of flow.

All disturbed areas will be re-contoured to the approximate natural contours. Prior to back filling the pit, the fences around the reserve pit will be removed.

The reserve pit will be reclaimed within 90 days of well completion. If the reserve pit has not dried sufficiently to allow for proper back filling, the Operator will submit a request for an extension of time. Once initiated, reclamation activities will be completed within 30 days, weather conditions permitting.

If a reserve pit utilizes a liner, the liner shall be turned down below ground level and perforated before the pit is backfilled.

After the reserve pit has been reclaimed, no depressions in the soil covering the reserve pit will be allowed. The objective is to keep seasonal rainfall and runoff from seeping into the soil used to cover the reserve pit. Diversion ditches and water bars will be used to divert runoff as needed.

When restoration activities have been completed, the location site shall be reseeded. Prior to reseeding, all disturbed areas will be scarified and left with a rough surface.

a) Seeding dates

Seed will be spread when the topsoil is stock piled and when reclamation work is performed.

b) Seed mix

The seed mix utilized in the soil reclamation will be in the amounts, and of the type specified by the BLM in their "Conditions of Approval".

B) Dry hole/Abandoned location

At such time as the well is plugged and abandoned, the operator will submit a subsequent report of abandonment and the BLM will attach the appropriate surface rehabilitation conditions of approval.

11. Surface Manager/Owner

| | |
|-------------|---------------------------|
| Location | Bureau of Land Management |
| Access road | Bureau of Land Management |
| Pipeline | Bureau of Land Management |

12. Other information

A) Vegetation

The vegetation coverage is slight. The predominant existing vegetation consists of sage brush.

B) Dwellings

There are no dwellings or other facilities within a one mile radius of the location.

C) Archeology

A cultural resource inventory survey was conducted on the proposed well-site location, access road and pipe line route. A copy of this report, entitled Sagebrush Report No. 1398, is included with this APD, and two copies of this report were sent to Blaine Phillips with the Vernal BLM in April 2005.

During any operations, if archaeological or historical sites, or any objects of antiquity (subject to the antiquities act of June 8, 1906) are discovered, all operations which would affect such sites or objects will be suspended and the BLM will be immediately notified.

D) Water

The nearest live water is Evacuation Creek, \pm 9.0 miles east-northeast, and the White River which lies \pm 9.0 miles north of the proposed location.

E) Chemicals

No pesticides, herbicides or other possible hazardous chemicals will be used without AO approval.

F) Notifications

The Bureau of Land Management will be notified as follows

- a) Location construction
At least 48 hours prior to construction of location and access roads
- b) Location completion
24 hours prior to moving the drilling rig on location.
- c) Spud notice
At least 24 hours prior to well spud.
- d) Casing string and cementing
At least 24 hours prior to running casing and cementing all casing strings.
- e) BOP and related equipment tests
At least 24 hours prior to initial pressure tests.
- f) Abandonment – Newly Drilled Dry Holes and/or Hole Failures
At least 24 hours prior to start of abandonment operations. In certain situations, Operator may be unable to provide 24 hour advance notice, but in all situations, Operator will receive abandonment orders from the BLM prior to the actual commencement of abandonment operations.
- g) First production notice
Within 5 business days after the new well begins, or production resumes after well has been off production for more than 90 days.
- h) Completion and Re-completion Operations
At least 24 hours prior to moving the rig on location.
- i) State of Utah Division of Oil, Gas, and Mining (DOGGM) Notifications
Within 24 hours of well spud, Operator will notify DOGGM at 801.538.5284. Prior to commencement of operations to plug and abandon the well, Operator will notify DOGGM at 801.538.5338.

G) Flare pit

The flare pit will be located in corner C of the reserve pit and outside the pit fence on the south side of the location. All fluids will be removed from the flare pit within 48 hours of occurrence.

H) Wildlife Stipulations

Wildlife stipulations and possible activity restrictions will be detailed in the "Conditions of Approval" received with an approved Permit to Drill. Operator will comply with these wildlife "conditions of approval".

I) Onsite

Onsite Date: Friday, April 15, 2005

Onsite attendants

| | |
|---------------|--------------------|
| Stan Olmstead | BLM |
| Reed Fischer | McElvain Oil & Gas |
| Ivan Sadlier | McElvain Oil & Gas |

At the onsite meeting on April 15th the BLM and McElvain representatives agreed upon a more "suitable" location than the original location stake which was situated 475' FSL and 1,780' FEL of Section 11, T12S-R23E. The reasoning behind the decision to move the initial location stake included the desire to minimize the visual and construction impacts of a ridgeline location. The more "suitable" location was subsequently determined to lie off the ridgeline 219' northwest of the initial staking. This new, more "suitable" location was subsequently resurveyed on May 16th. This resurveyed location is situated 675' FSL and 1867' FEL of section 11, T12S-R23E, and is the currently proposed and applied for location. Stan Olmstead of the BLM indicated that another onsite was not necessary as the resurveyed location was spotted, flagged and inventoried by the BLM during the April 15th onsite, although a supplemental cultural survey may be necessary as the original cultural resources inventory survey was conducted prior to the April 15th onsite. McElvain Oil & Gas, as operator, will look to the 7-Day (deficiency) letter for directions as to the need for this supplemental cultural survey.

13. Lessees or Operator's representative(s) and certification

A) Representatives

| | |
|---|--------------------|
| Reed Fischer | Ivan Sadlier |
| Operations Engineer | Production Foreman |
| 1050 – 17 th Street, Ste. 1800 | P.O. Box 985 |
| Denver, CO. 80265 | Vernal, UT. 84078 |

Off. 303.893.0933 xtn 330 Cell #1: 435.828.0284
Fax. 303.893.0914 Cell #2: 435.828.0282
Cell. 303.981.2921
E-Mail. reedf@mcelvain.com sadlier@easilink.com

McElvain Oil & Gas Properties, Inc. is considered to be the operator of the subject well. McElvain Oil & Gas Properties, Inc. agrees to be responsible under the terms and conditions of the lease for operations conducted upon the leased premises.

B) Certification

All lease operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, and approved "Plan of Operation", and any applicable "Notice to Lessees".

The operator will be fully responsible for the actions of its subcontractors. A copy of these conditions will be furnished to the field representatives to ensure compliance.

Bond coverage for the lease activities is being provided by McElvain Oil & Gas Properties' BLM Nationwide Bond #LPM4138223.

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill-site and access route, that I am familiar with the conditions which presently exist, that the statements made in this plan are, to the best of my knowledge and belief, true and correct, and that the work associated with the operation proposed herein will be performed by McElvain Oil and Gas Properties, Inc. and its contractors and subcontractors in conformity with this plan and terms and conditions with this plan and the terms and conditions under which it is approved.

Date 7/6/05

McElvain Oil & Gas Properties, Inc.



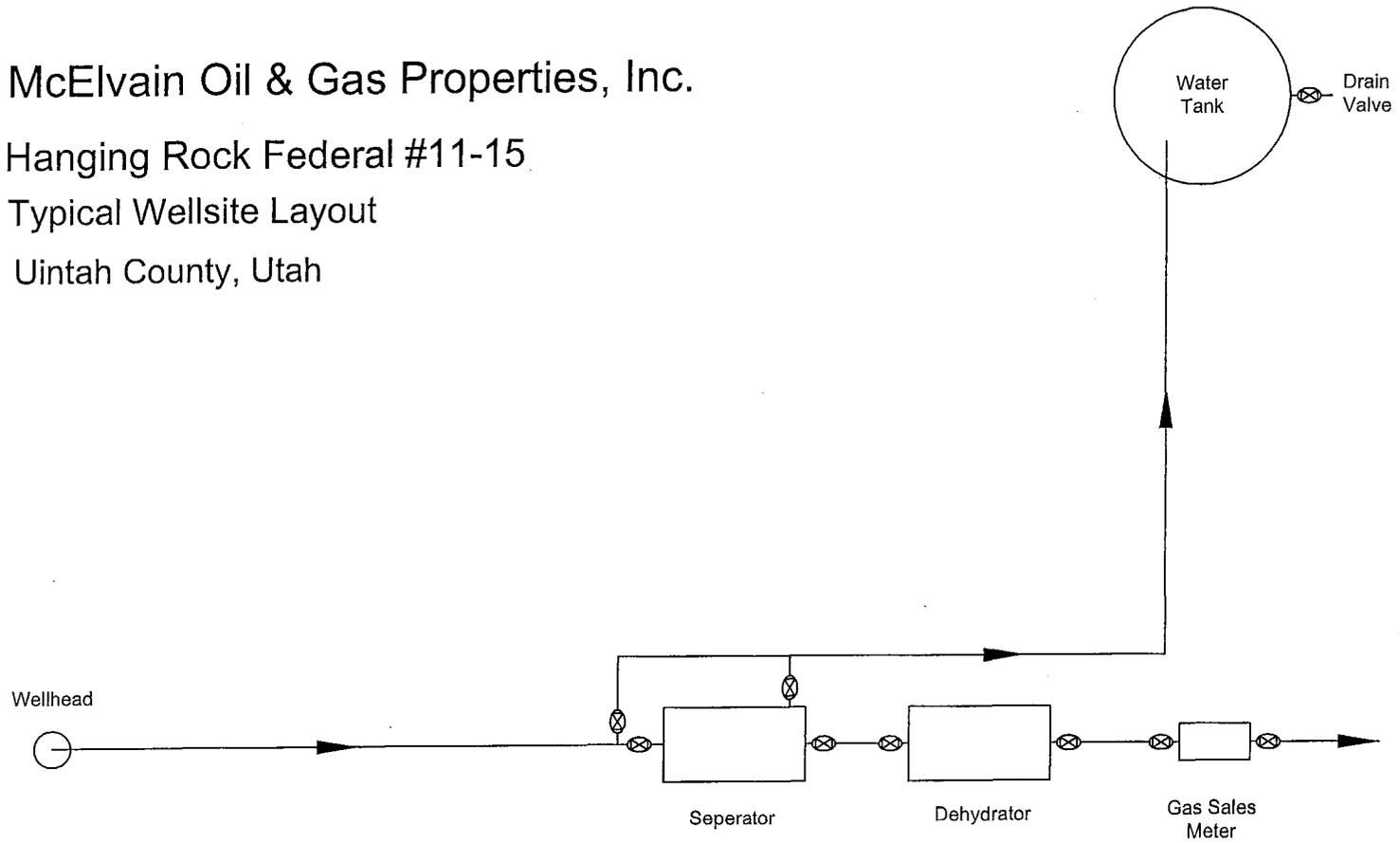
E. Reed Fischer
Operations Engineer

McElvain Oil & Gas Properties, Inc.

Hanging Rock Federal #11-15

Typical Wellsite Layout

Uintah County, Utah



**A CULTURAL RESOURCE INVENTORY OF
HANGING ROCK FEDERAL #11-15 WELL, ACCESS ROAD AND PIPELINE,
UINTAH COUNTY, UTAH**

by

Sandy Chynoweth Pagano
Assistant Archaeologist

Prepared for:

McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, Colorado 80265

Prepared by:

Sagebrush Consultants, L.L.C.
3670 Quincy Avenue, Suite 203
Ogden, Utah 84403

Under the Authority of Cultural Resource Use Permit No. 04UT54630

and

Under the Authority of Utah State Antiquities Permit No. U-05-SJ-0218b

Cultural Resource Report No. 1398

April 7, 2005

INTRODUCTION

In February 2005, Rocky Mountain Consulting, Inc., of Vernal, Utah (RMC) requested that Sagebrush Consultants, L.L.C. (Sagebrush), on behalf of the McElvain Oil and Gas Company, conduct a cultural resource inventory of the Hanging Rock Federal #11-15 well and its associated access road and pipeline, in Uintah County, Utah. The purpose of this inventory is to identify cultural resource sites within the proposed project area.

The proposed well location and its associated access road and pipeline is located in T. 12S., R. 23E., S. 11 on USGS 7.5' Quadrangle Archy Bench SE, Utah (1968; P.R. 1987) (Figure 1). Footages for Hanging Rock Federal #11-15 are 473' FNL and 1780' FEL. The well pad and its associated access road and pipeline lie on lands administered by the Bureau of Land Management (BLM), Vernal Field Office. The cultural resource survey was done by Michael R. Polk and Andrew Williamson on March 23, 2005 under the authority of Cultural Resource Use Permit No. 04UT54630 and Utah State Antiquities Permit No. U-05-SJ-0218b.

Prior to conducting fieldwork, a GIS file search for previously recorded cultural resource sites and projects conducted near the current project was completed through Kristen Jensen, of the Antiquities Section, Division of State History, Utah Historic Preservation Office (SHPO), in Salt Lake City, on February 16, 2005. This file search was updated on March 31, 2005. Angela Garrison, of Sagebrush, conducted a file search at the SHPO on January 15, 2005. An additional agency file search was conducted by Angela Garrison and Jamie Morrison of Sagebrush on February 11, 2005 at the BLM, Vernal Field Office, in Vernal and updated by Michael R. Polk and Andrew Williamson on March 23, 2005. Sagebrush personnel also reviewed General Land Office (GLO) plat maps located in the Public Room of the BLM Utah State Office, Salt Lake City. The National Register of Historic Places (NRHP) was consulted prior to the commencement of fieldwork for the current project. No NRHP sites were found to be in the vicinity of the current project area.

Multiple previous cultural resource projects have been conducted in the vicinity of the current project. Due to the large number of projects conducted in this area, they will not be listed. However, one cultural resource site was located within one mile of the current project area. Site 42UN2459 consists of two lithic tools, one biface and one scraper, which were both collected for preservation. No lithic debris and no features were recorded at this site. This site is not eligible for the NRHP.

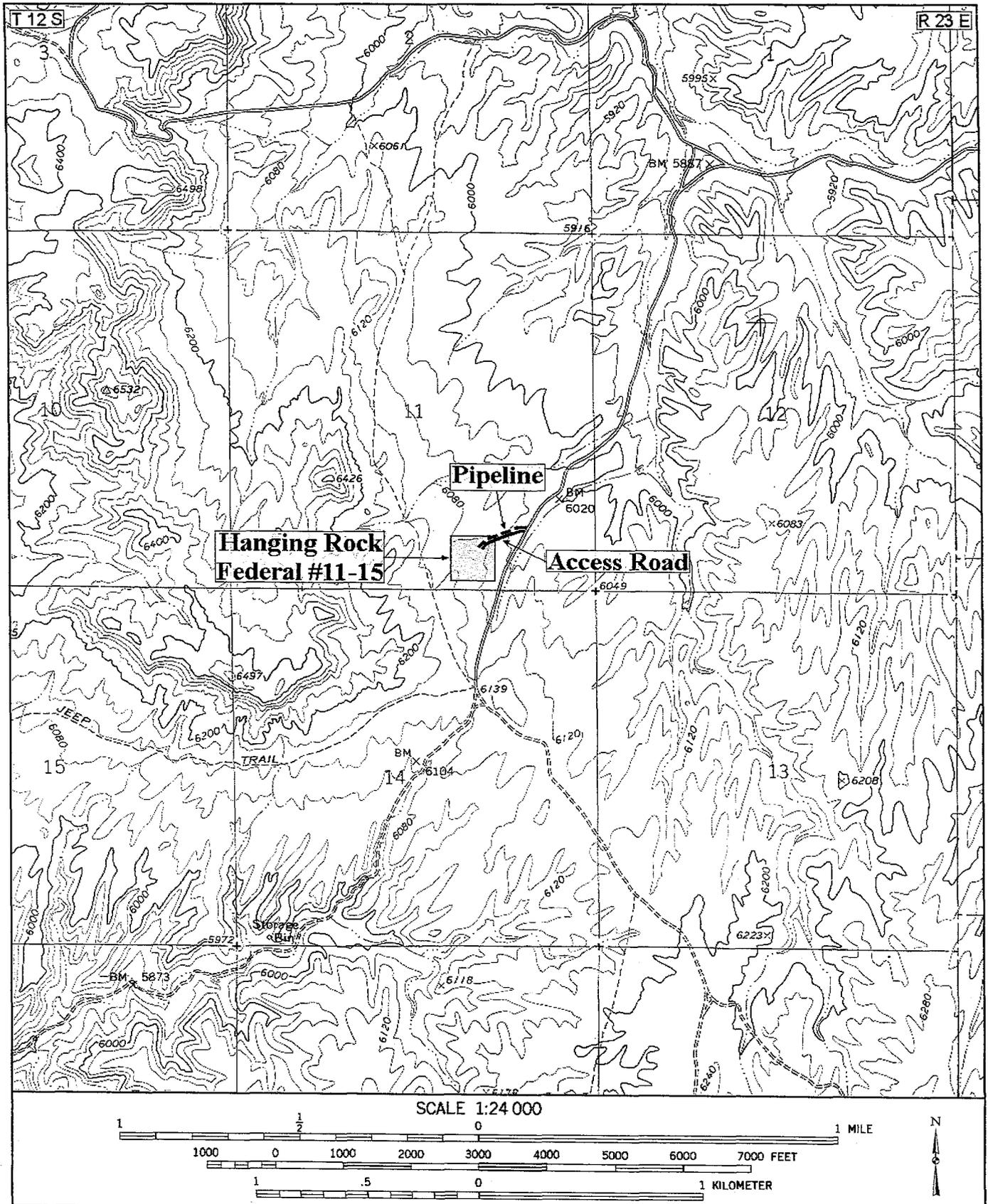


Figure 1. Location of proposed well Hanging Rock Federal #11-15 and associated access road and pipeline. Taken from USGS 7.5' Quadrangle Archy Bench SE, Utah (1968; P.R. 1987).

ENVIRONMENT

The project area is located in the dissected tablelands south of the White River. The elevation of the area surveyed ranges between 6030 and 6120 feet a.s.l. Sediments in this area consist of tan to light reddish brown sandy silt aeolian deposits. Vegetation in this location covers approximately 30 percent of the ground surface and consists of sagebrush community species including big sagebrush, rabbit brush, ricegrass, greasewood, prickly pear cactus, bunch grass, four-wing salt bush, and cheat grass intermingled with pinyon-juniper community species. The nearest permanent water source is the White River located about 9.7 miles to the north of the project area. Numerous seasonal drainages and washes are present through the general vicinity of the project area.

Natural disturbances in the area consist of sheetwash, arroyo cutting and aeolian erosion. Cultural disturbances include the construction of existing well pad locations, access roads, and pipelines and impacts from sheep and cattle grazing.

METHODOLOGY

An intensive cultural resource inventory was carried out for the proposed Hanging Rock Federal #11-15 well and its associated access road and pipeline. The project area consists of one 40,469 m² (10 ac) parcel of land, measuring 201-by-201 m (660-by-660 ft) centered on the proposed well head, and 0.14 mi. (730 ft) of proposed access road and pipeline corridor. The well location was inventoried in parallel transects spaced no more than 15 m (50 ft) apart. The access and pipeline corridor was walked in parallel transects spaced no more than 15 m (50 ft) apart, to cover a corridor width of 45 m (150 ft). The area surveyed during this cultural resource inventory, including the well pad, access road, and pipeline, totaled 5.07 ha (12.52 ac).

RESULTS

A cultural resource inventory was carried out for the proposed Hanging Rock Federal #11-15 well, and its associated access road and pipeline. No cultural resources were located during this inventory.

RECOMMENDATIONS

No cultural resource sites were located during the inventory for the proposed Hanging Rock Federal #11-15 well and its associated access road and pipeline. Cultural resource clearance is recommended for the project area. This investigation was conducted with techniques which are considered to be adequate for evaluating cultural resources which could be adversely affected by the project. However, should cultural resources be discovered on state land during construction, a report should be made immediately to the BLM Archaeologist at the Vernal Field Office in Vernal.

McELVAIN OIL & GAS PROP., INC.
HANGING ROCK FEDERAL #11-15
 LOCATED IN UINTAH COUNTY, UTAH
 SECTION 11, T12S, R23E, S.L.B.&M.

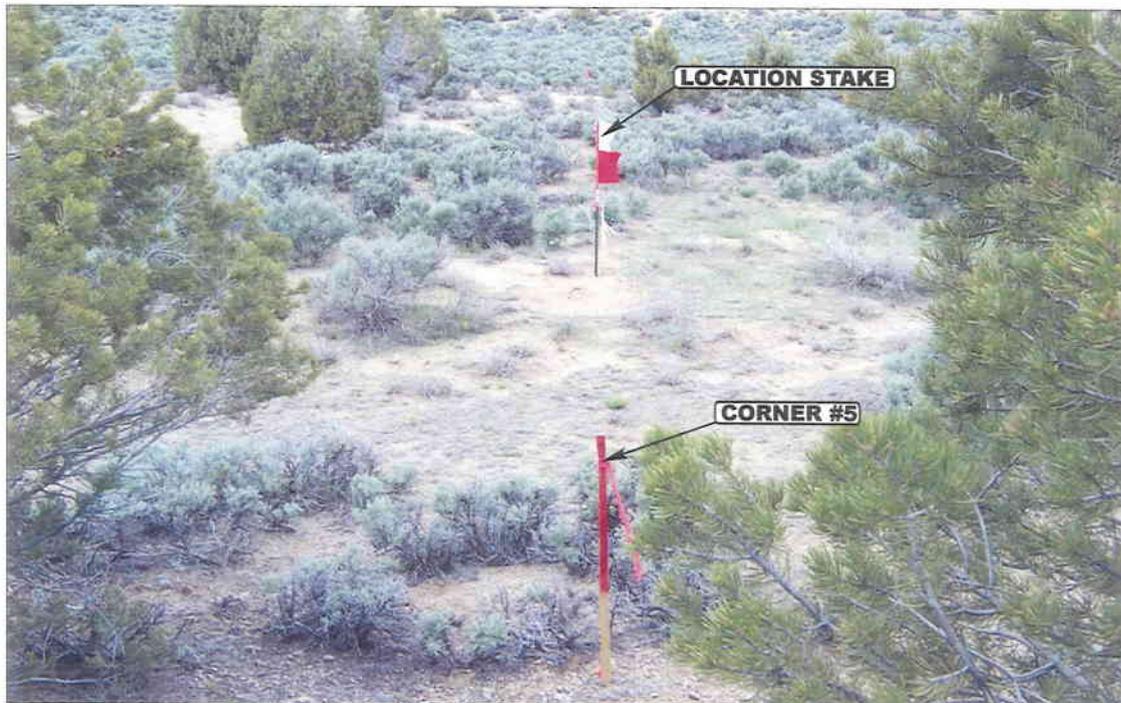


PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: NORTHWESTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: SOUTHWESTERLY



UELS Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 435-789-1017 uels@uelsinc.com

| | | | | | | |
|------------------------|----------------|-----------------------|-----------|-----------|-----------|--------------|
| LOCATION PHOTOS | | | 03 | 09 | 05 | PHOTO |
| | | | MONTH | DAY | YEAR | |
| TAKEN BY: J.W. | DRAWN BY: L.K. | REVISED: 05-20-05C.P. | | | | |

McELVAIN OIL & GAS PROP., INC.

LOCATION LAYOUT FOR

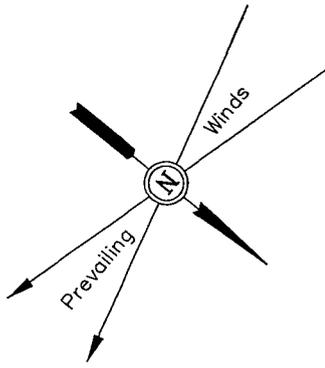
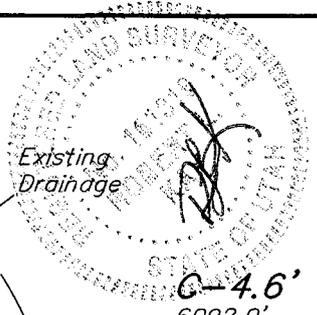
HANGING ROCK FEDERAL #11-15
SECTION 11, T12S, R23E, S.L.B.&M.

675' FSL 1867' FEL

C-17.0'
El. 6104.4'

C-4.6'
6092.0'

Existing
Drainage



SCALE: 1" = 50'

DATE: 03-06-05

Drawn By: D.R.B.

Revised: 05-26-05 P.M.

CONSTRUCT
DIVERSION
DITCH

Sta. 3+45

C-14.9'
El. 6102.3' Round Corners
as Needed

DATA

FLARE PIT

Pit Topsoil

Reserve Pit Backfill
& Spoils Stockpile

C-5.4'
El. 6092.8'

El. 6104.6'
C-27.2'
(btm. pit)

C-1.8'
El. 6089.2'

RIG DOG HOUSE

125' Sta. 1+70

F-3.5'
El. 6083.9'

Total Pit Capacity
W/2' of Freeboard
= 9,850 Bbls. ±
Total Pit Volume
= 2,780 Cu. Yds.

Approx.
Top of
Cut Slope

10' WIDE BENCH

RESERVE PITS
(10' Deep)

SLOPE 1 1/2 : 1

C-5.1'
El. 6092.5'

1 MUD TANKS

WATER

PUMP

MUD SHED

HOPPER

POWER

TOOLS

FUEL

TRASH

Existing
Drainage

TRAILER

TOILET

FUEL

Approx.
Toe of
Fill Slope

STORAGE
TANK

F-4.7'
El. 6082.7'

Sta. 0+00

El. 6092.9'
C-15.5'
(btm. pit)

Reserve Pit Backfill
& Spoils Stockpile

C-0.9'
El. 6088.3'

F-2.3'
El. 6085.1'

Topsoil Stockpile

F-13.1'
El. 6074.3'

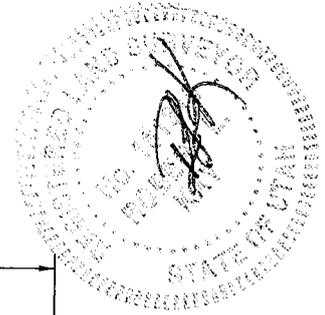
Proposed Access
Road

Elev. Ungraded Ground at Location Stake = 6089.2'
Elev. Graded Ground at Location Stake = 6087.4'

UINTAH ENGINEERING & LAND SURVEYING
85 So. 200 East * Vernal, Utah 84078 * (435) 789-1017

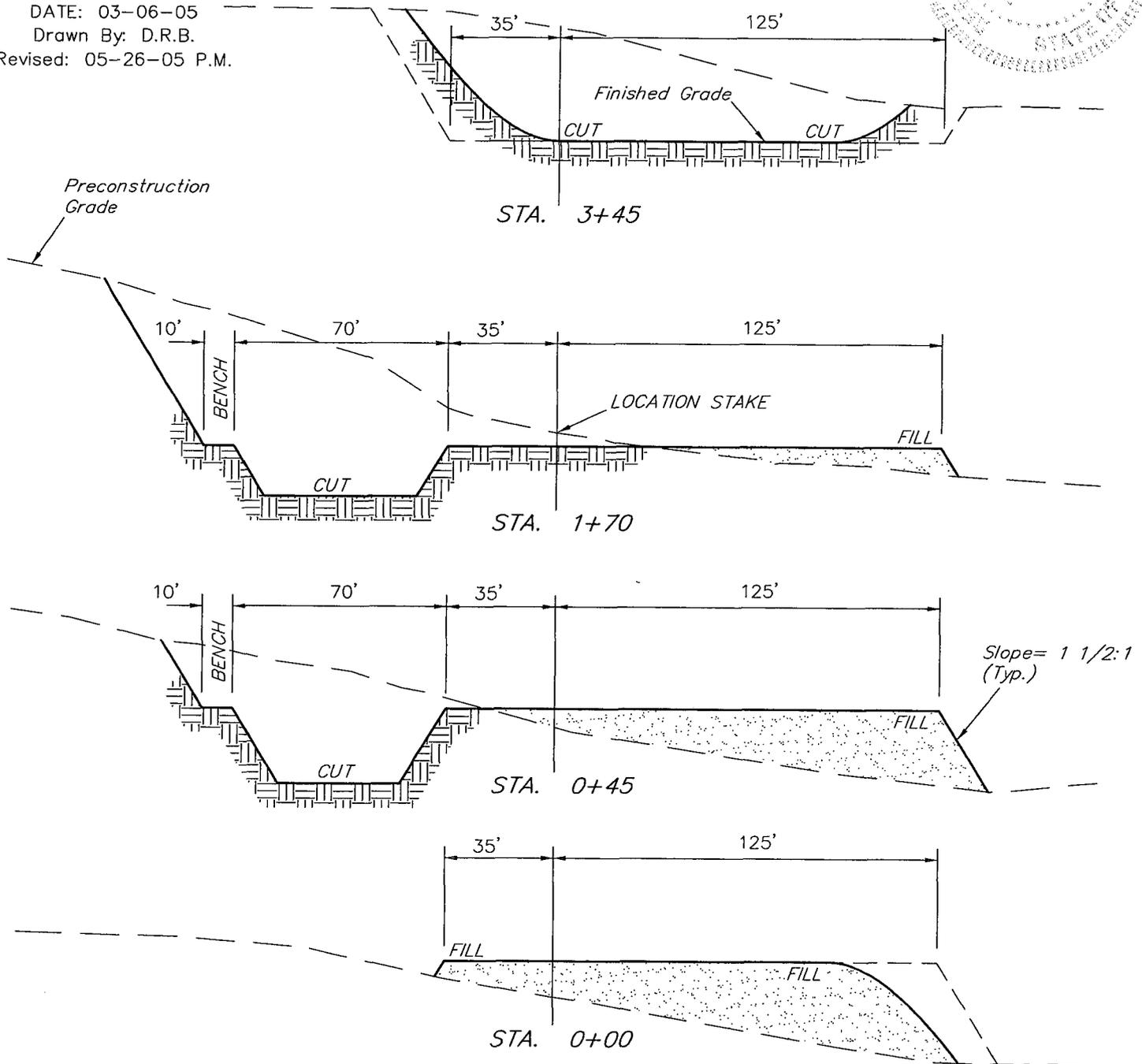
MCELVAIN OIL & GAS PROP., INC.

TYPICAL CROSS SECTIONS FOR HANGING ROCK FEDERAL #11-15 SECTION 11, T12S, R23E, S.L.B.&M. 675' FSL 1867' FEL



1" = 20'
X-Section
Scale
1" = 50'

SCALE: 1" = 50'
DATE: 03-06-05
Drawn By: D.R.B.
Revised: 05-26-05 P.M.



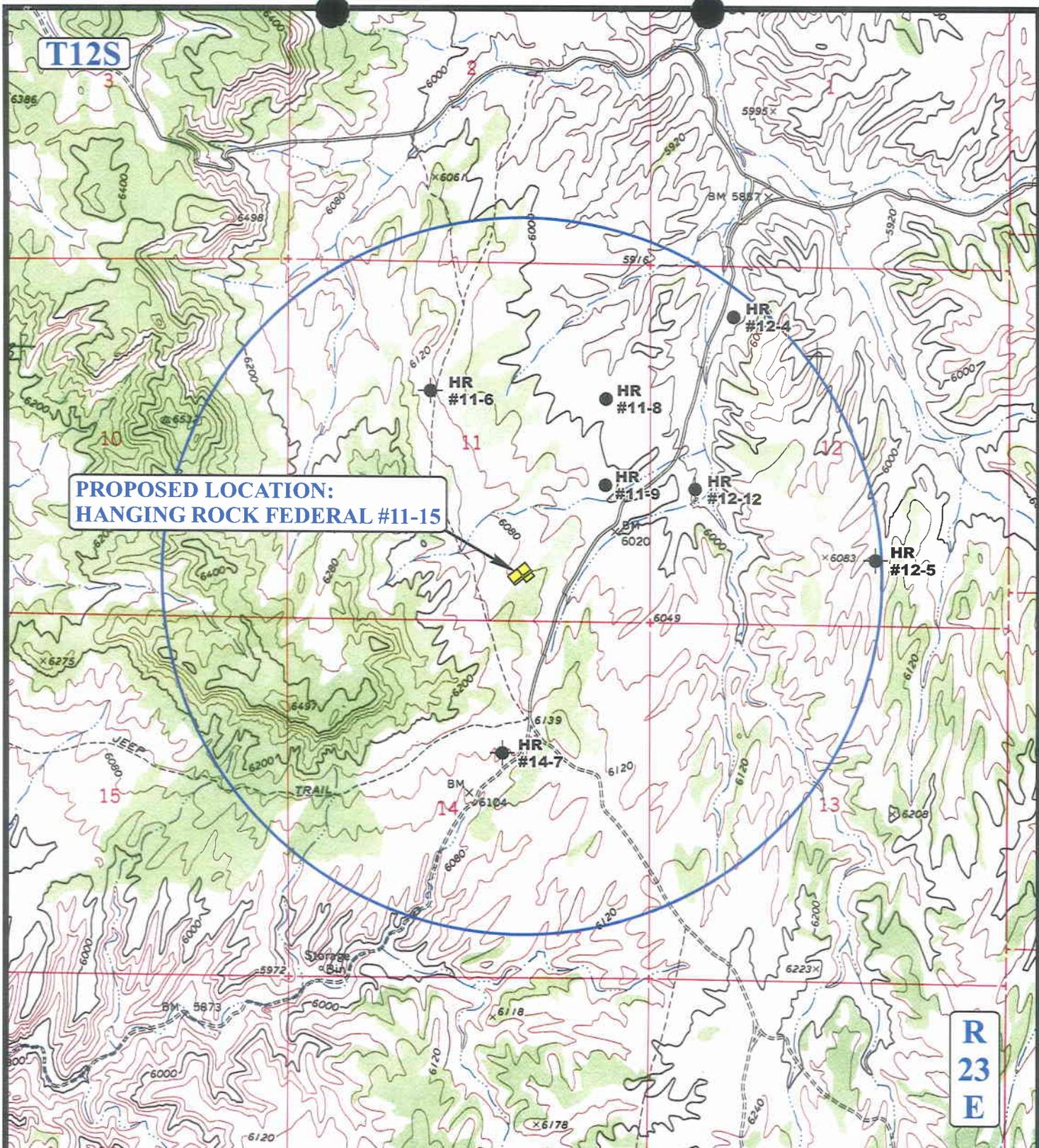
APPROXIMATE YARDAGES

| | |
|------------------------|-------------------------|
| CUT | |
| (6") Topsoil Stripping | = 1,640 Cu. Yds. |
| Remaining Location | = 14,840 Cu. Yds. |
| TOTAL CUT | = 16,480 CU.YDS. |
| FILL | = 5,720 CU.YDS. |

*** NOTE:**

FILL QUANTITY INCLUDES
5% FOR COMPACTION

| | |
|---|-------------------------|
| Excess Material | = 10,760 Cu. Yds. |
| Topsoil & Pit Backfill (1/2 Pit Vol.) | = 3,030 Cu. Yds. |
| EXCESS UNBALANCE (After Rehabilitation) | = 7,730 Cu. Yds. |



**PROPOSED LOCATION:
HANGING ROCK FEDERAL #11-15**

LEGEND:

- ⊗ DISPOSAL WELLS
- PRODUCING WELLS
- ⊖ SHUT IN WELLS
- ⊗ WATER WELLS
- ⊖ ABANDONED WELLS
- ⊖ TEMPORARILY ABANDONED

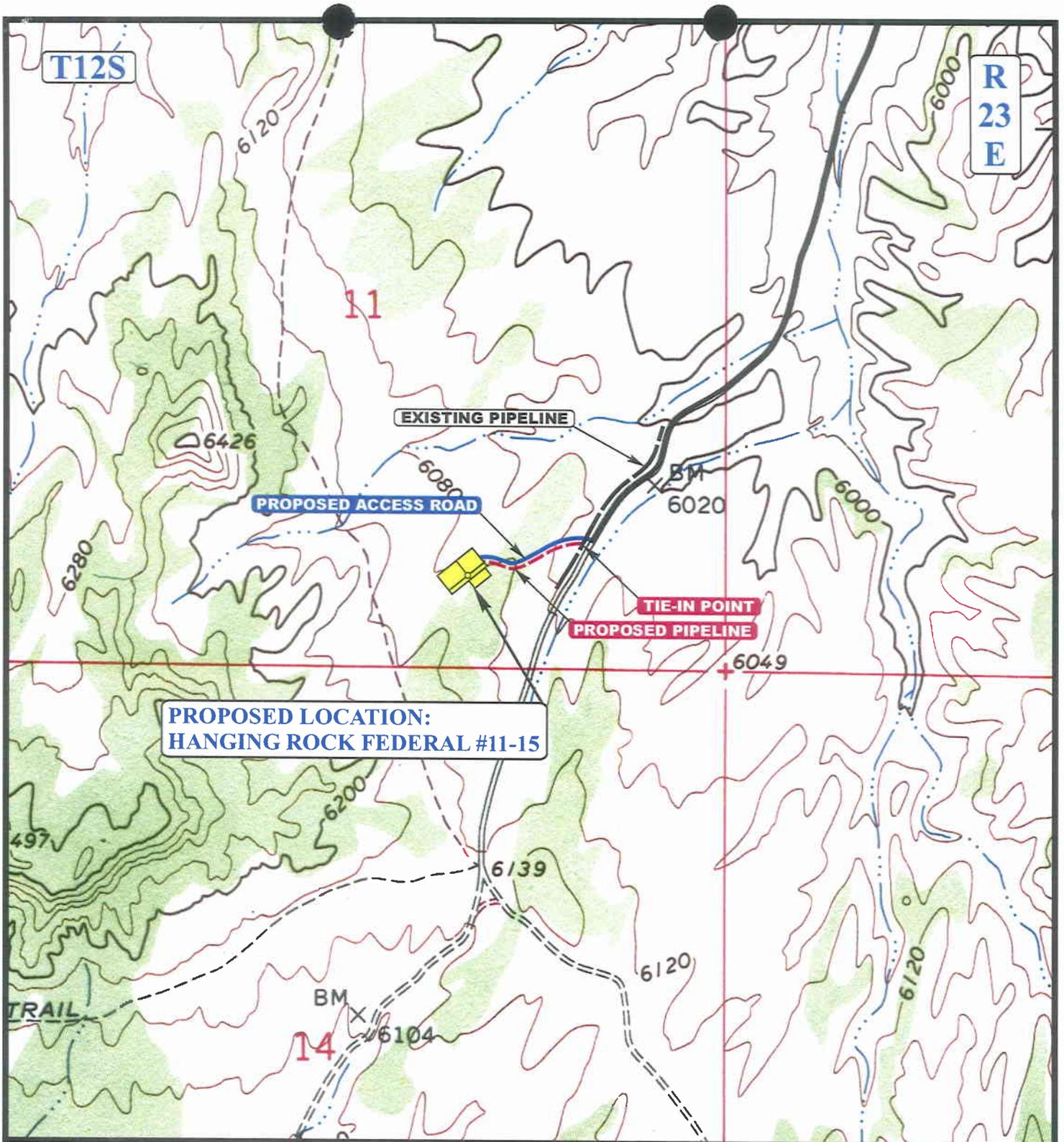


McELVAIN OIL & GAS PROP., INC.

**HANGING ROCK FEDERAL #11-15
SECTION 11, T12S, R23E, S.L.B.&M.
675' FSL 1867' FEL**

U E I S
Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC MAP 03 09 05
 MONTH DAY YEAR
 SCALE: 1" = 2000' DRAWN BY: L.K. REVISED: 05-20-05C.P. **C TOPO**



APPROXIMATE TOTAL PIPELINE DISTANCE = 786' +/-

LEGEND:

-  PROPOSED ACCESS ROAD
-  EXISTING PIPELINE
-  PROPOSED PIPELINE

McELVAIN OIL & GAS PROP., INC.

HANGING ROCK FEDERAL #11-15
SECTION 11, T12S, R23E, S.L.B.&M.
675' FSL 1867' FEL



Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC **03 09 05**
MAP MONTH DAY YEAR

SCALE: 1" = 1000' DRAWN BY: L.K. REVISED: 05-20-05C.P.



**WORKSHEET
APPLICATION FOR PERMIT TO DRILL**

APD RECEIVED: 07/08/2005

| |
|--------------------------------|
| API NO. ASSIGNED: 43-047-36888 |
|--------------------------------|

WELL NAME: HANGING ROCK FED 11-15
 OPERATOR: MCELVAIN OIL & GAS (N2100)
 CONTACT: E. REED FISCHER

PHONE NUMBER: 303-893-0933

PROPOSED LOCATION:
 SWSE 11 120S 230E
 SURFACE: 0675 FSL 1867 FEL
 BOTTOM: 0675 FSL 1867 FEL
 UINTAH
 OIL SPRINGS (635)

| INSPECT LOCATN BY: / / | | |
|------------------------|----------|------|
| Tech Review | Initials | Date |
| Engineering | | |
| Geology | | |
| Surface | | |

LEASE TYPE: 1 - Federal
 LEASE NUMBER: UTU-57455
 SURFACE OWNER: 1 - Federal
 PROPOSED FORMATION: MVRD
 COALBED METHANE WELL? NO

LATITUDE: 39.78266
 LONGITUDE: -109.3070

RECEIVED AND/OR REVIEWED:

Plat

Bond: Fed[1] Ind[] Sta[] Fee[]
 (No. LPM4138223)

Potash (Y/N)

Oil Shale 190-5 (B) or 190-3 or 190-13

Water Permit
 (No. 49-1547)

RDCC Review (Y/N)
 (Date: _____)

Fee Surf Agreement (Y/N)

LOCATION AND SITING:

R649-2-3.
 Unit _____

R649-3-2. General
 Siting: 460 From Qtr/Qtr & 920' Between Wells

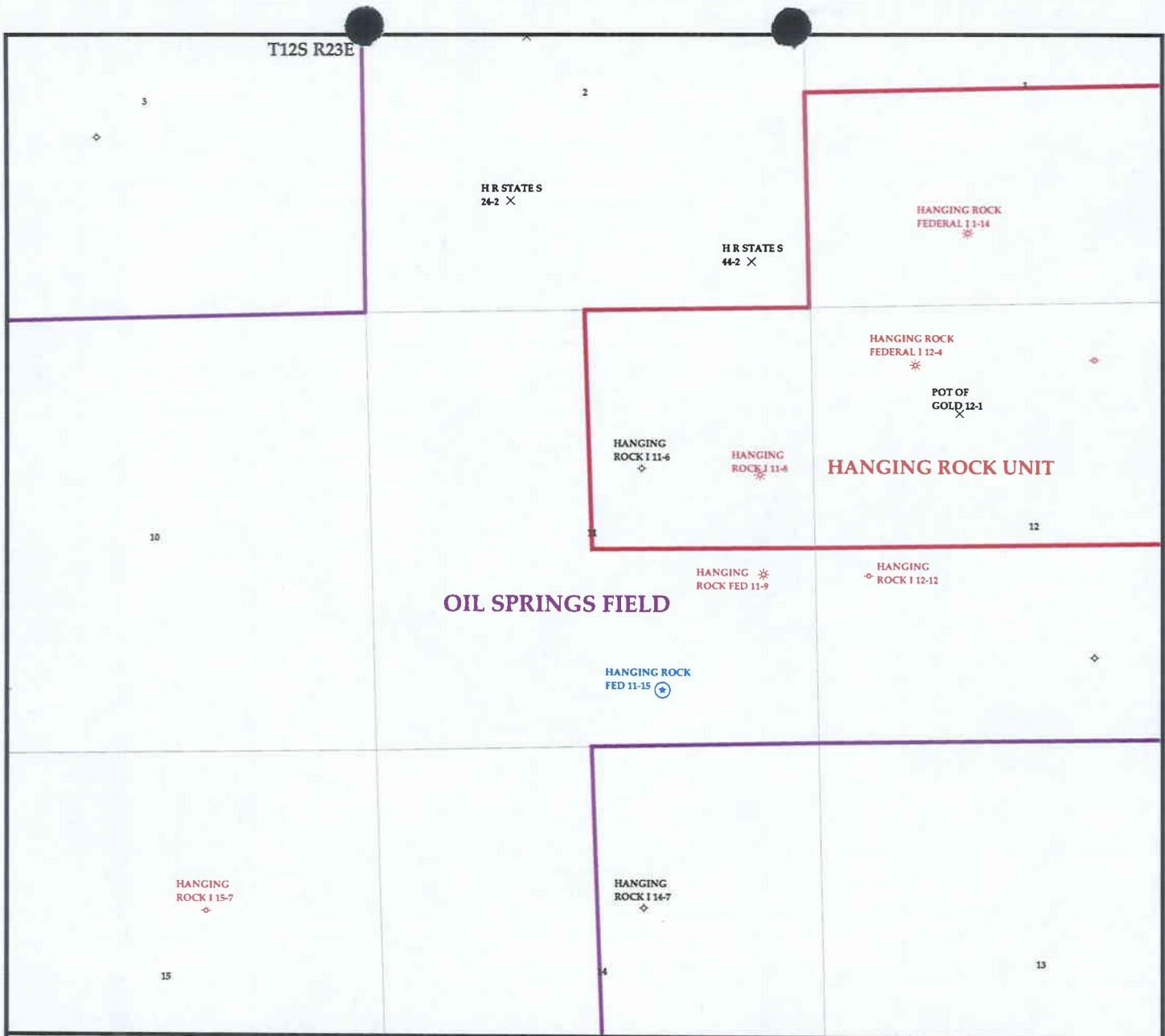
R649-3-3. Exception

Drilling Unit
 Board Cause No: _____
 Eff Date: _____
 Siting: _____

R649-3-11. Directional Drill

COMMENTS: _____

STIPULATIONS: 1- Federal Approval
2- Spacing Slip



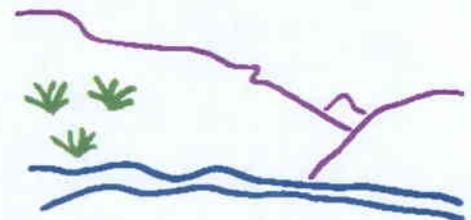
OPERATOR: MCELVAIN O&G PROP (N2100)

SEC: 11 T. 12S R. 23E

FIELD: OIL SPRINGS (635)

COUNTY: UINTAH

SPACING: R649-3-2 / GENERAL SITING



Utah Oil Gas and Mining

Wells

- ◇ GAS INJECTION
- ◇ GAS STORAGE
- × LOCATION ABANDONED
- ⊕ NEW LOCATION
- ◇ PLUGGED & ABANDONED
- * PRODUCING GAS
- PRODUCING OIL
- ◇ SHUT-IN GAS
- ◇ SHUT-IN OIL
- × TEMP. ABANDONED
- TEST WELL
- △ WATER INJECTION
- ◇ WATER SUPPLY
- ◇ WATER DISPOSAL

Units.shp

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

Fields.shp

- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED



PREPARED BY: DIANA WHITNEY
DATE: 14-JULY-2005



State of Utah

Department of
Natural Resources

MICHAEL R. STYLER
Executive Director

Division of
Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

July 14, 2005

McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265

Re: Hanging Rock Federal 11-15 Well, 675' FSL, 1867' FEL, SW SE, Sec. 11,
T. 12 South, R. 23 East, Uintah County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-047-36888.

Sincerely,

Gil Hunt
Acting Associate Director

pab
Enclosures

cc: Uintah County Assessor
Bureau of Land Management, Vernal District Office

Operator: McElvain Oil & Gas Properties, Inc.

Well Name & Number Hanging Rock Federal 11-15

API Number: 43-047-36888

Lease: UTU-57455

Location: SW SE **Sec.** 11 **T.** 12 South **R.** 23 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the Division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dan Jarvis at (801) 538-5338

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

5. LEASE DESIGNATION AND SERIAL NUMBER:
UTU-57455

SUNDRY NOTICES AND REPORTS ON WELLS

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT or CA AGREEMENT NAME:

Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.

1. TYPE OF WELL
OIL WELL GAS WELL OTHER _____

8. WELL NAME and NUMBER:
Hanging Rock Federal #11-15

2. NAME OF OPERATOR:
McElvain Oil & Gas Properties, Inc.

9. API NUMBER:
4304736888

3. ADDRESS OF OPERATOR:
1050 17th Street, Ste. 1800 CITY **Denver** STATE **CO** ZIP **80625**

PHONE NUMBER:
(303) 893-0933

10. FIELD AND POOL, OR WILDCAT:
Oil Springs

4. LOCATION OF WELL
FOOTAGES AT SURFACE: **675' FSL & 1867' FEL**

COUNTY: **Uintah**

QTR/QTR. SECTION, TOWNSHIP, RANGE, MERIDIAN: **SWSE 11 12S 23E**

STATE:
UTAH

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|---|---|---|---|
| <input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: <u>7/14/2006</u> | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> REPERFORATE CURRENT FORMATION |
| | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____ | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
| | <input type="checkbox"/> CHANGE TUBING | <input type="checkbox"/> PLUG AND ABANDON | <input type="checkbox"/> VENT OR FLARE |
| | <input type="checkbox"/> CHANGE WELL NAME | <input type="checkbox"/> PLUG BACK | <input type="checkbox"/> WATER DISPOSAL |
| | <input type="checkbox"/> CHANGE WELL STATUS | <input type="checkbox"/> PRODUCTION (START/RESUME) | <input type="checkbox"/> WATER SHUT-OFF |
| | <input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS | <input type="checkbox"/> RECLAMATION OF WELL SITE | <input checked="" type="checkbox"/> OTHER: <u>Request for Drilling Permit Extension</u> |
| | <input type="checkbox"/> CONVERT WELL TYPE | <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION | |
| | | | |
| | | | |
| | | | |

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

McElvain Oil & Gas Properties, Inc. is requesting an extension to our July 14, 2005 State of Utah drilling permit. We are waiting on a Federal APD approval at this time, and would like to apply for the maximum extension time allowed.

PLEASE SEE THE ATTACHED STATE OF UTAH FORM "APPLICATION FOR PERMIT TO DRILL - REQUEST FOR PERMIT EXTENSION VALIDATION"

**Approved by the
Utah Division of
Oil, Gas and Mining**
Date: 07-14-06
By: [Signature]

NAME (PLEASE PRINT) **Barbara Martin**

TITLE **Engineer**

SIGNATURE [Signature]

DATE **6/29/2006**

(This space for State use only)

COPY SENT TO OPERATOR
Date: 9/27/06
Initials: RM

RECEIVED

JUL 03 2006

DIV. OF OIL, GAS & MINING

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-047-36888
Well Name: Hanging Rock Federal 11-15
Location: SWSE Sec. 11, T12S-23E Uintah County, Utah
Company Permit Issued to: McElvain Oil & Gas Properties, Inc.
Date Original Permit Issued: 7/14/2005

The undersigned as owner with legal rights to drill on the property as permitted above, hereby verifies that the information as submitted in the previously approved application to drill, remains valid and does not require revision.

Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes No

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes No

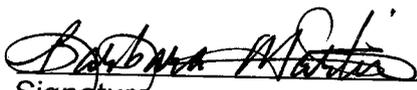
Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes No

Has the approved source of water for drilling changed? Yes No

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes No

Is bonding still in place, which covers this proposed well? Yes No


Signature

6/29/2006
Date

Title: Engineer

Representing: McElvain Oil & Gas Properties, Inc.

RECEIVED

JUL 03 2006

DIV. OF OIL, GAS & MINING

RECEIVED

JUL 08 2005

BLM VERNAL, UTAH

Form 3160-3
(September 2001)

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|---|---|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. UTU - 57455 |
| 1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator McElvain Oil & Gas Properties, Inc. | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address 1050 - 17th Street, Ste. 1800 Denver, CO. 80265 | 3b. Phone No. (include area code) 303.893.0933 | 8. Lease Name and Well No. Hanging Rock Federal #11-15 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1,867 FEL & 675' FSL (SWSE) Sec. 11, T12S-R23E S.L.B. & M. At proposed prod. zone same (vertical well) | | 9. API Well No. 43-047-31888 |
| 14. Distance in miles and direction from nearest town or post office* 67 miles South-Southeast of Vernal, Utah | | 10. Field and Pool, or Exploratory Oil Springs |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 4,605' south of lease line | 16. No. of Acres in lease 10,092.71 | 11. Sec., T., R., M., or Blk. and Survey or Area Sec. 11, T12S-R23E, S.L.B.&M. |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1,809' | 19. Proposed Depth 4,400' | 12. County or Parish Uintah |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,089' GL | 22. Approximate date work will start* October 2005 | 13. State Utah |
| 17. Spacing Unit dedicated to this well 40.0 acres | | 20. BLM/BIA Bond No. on file LPM 4138223 (nation-wide bond) |
| 23. Estimated duration 20 Days Construction & Drilling | | |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (If the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

| | | |
|---|---|-------------------|
| 25. Signature | Name (Printed/Typed) E. Reed Fischer | Date 7/6/05 |
| Title Operations Engineer | | |
| Approved by (Signature) | Name (Printed/Typed) Jerry Kenczka | Date 2/23/2007 |
| Title Assistant Field Manager Lands & Mineral Resources | Office VERNAL FIELD OFFICE | |

Application approval does not warrant or certify the the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

NOTICE OF APPROVAL

CONDITIONS OF APPROVAL ATTACHED

FEB 28 2007

DIV. OF OIL, GAS & MINING

NOV REC 3-18-05
05PP0467A

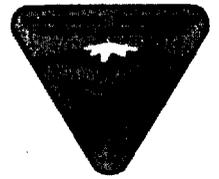


**UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
VERNAL FIELD OFFICE**

170 South 500 East

VERNAL, UT 84078

(435) 781-4400



CONDITIONS OF APPROVAL FOR APPLICATION FOR PERMIT TO DRILL

Company: M^eElvain Oil & Gas Properties, Inc. **Location:** SWSE, Sec. 11, T12S, R23E
Well No: Hanging Rock Federal 11-15 **Lease No:** UTU-57455
API No: 43-047-36888 **Agreement:** N/A

| Title | Name | Office Phone Number | Cell Phone Number |
|---|-----------------|--------------------------|-------------------|
| Petroleum Engineer: | Matt Baker | 435-781-4490 | 435-828-4470 |
| Petroleum Engineer: | Michael Lee | 435-781-4432 | 435-828-7875 |
| Petroleum Engineer: | James Ashley | 435-781-4470 | 435-828-7874 |
| Petroleum Engineer: | Ryan Angus | 435-781-4430 | |
| Supervisory Petroleum Technician: | Jamie Sparger | 435-781-4502 | 435-828-3913 |
| NRS/Enviro Scientist: | Paul Buhler | 435-781-4475 | 435-828-4029 |
| NRS/Enviro Scientist: | Karl Wright | 435-781-4484 | |
| NRS/Enviro Scientist: | Holly Villa | 435-781-4404 | |
| NRS/Enviro Scientist: | Melissa Hawk | 435-781-4476 | 435-828-7381 |
| NRS/Enviro Scientist: | Chuck MacDonald | 435-781-4441 | |
| NRS/Enviro Scientist: | Scott Ackerman | 435-781-4437 | |
| NRS/Enviro Scientist: | Jannice Cutler | 435-781-3400 | |
| NRS/Enviro Scientist: | Michael Cutler | 435-781-3401 | |
| NRS/Enviro Scientist: | Anna Figueroa | 435-781-3407 | |
| NRS/Enviro Scientist: | Verlyn Pindell | 435-781-3402 | |
| NRS/Enviro Scientist: | Darren Williams | 435-781-4447 | |
| NRS/Enviro Scientist: | Nathan Packer | 435-781-3405 | |
| After Hours Contact Number: 435-781-4513 | | Fax: 435-781-4410 | |

**A COPY OF THESE CONDITIONS SHALL BE FURNISHED TO YOUR
FIELD REPRESENTATIVE TO INSURE COMPLIANCE**

All lease and/or unit operations are to be conducted in such a manner that full compliance is made with the applicable laws, regulations (43 CFR Part 3160), and this approved Application for Permit to Drill including Surface and Downhole Conditions of Approval. The operator is considered fully responsible for the actions of his subcontractors. A copy of the approved APD must be on location during construction, drilling, and completion operations. **This permit is approved for a one-year period. An additional year extension may be applied for by sundry notice prior to expiration.**

NOTIFICATION REQUIREMENTS

| | | |
|---|---|--|
| Location Construction (Notify Environmental Scientist) | - | Forty-Eight (48) hours prior to construction of location and access roads. |
| Location Completion (Notify Environmental Scientist) | - | Prior to moving on the drilling rig. |
| Spud Notice (Notify Petroleum Engineer) | - | Twenty-Four (24) hours prior to spudding the well. |
| Casing String & Cementing (Notify Supv. Petroleum Tech.) | - | Twenty-Four (24) hours prior to running casing and cementing all casing strings. |
| BOP & Related Equipment Tests (Notify Supv. Petroleum Tech.) | - | Twenty-Four (24) hours prior to initiating pressure tests. |
| First Production Notice (Notify Petroleum Engineer) | - | Within Five (5) business days after new well begins or production resumes after well has been off production for more than ninety (90) days. |

**SURFACE USE PROGRAM
CONDITIONS OF APPROVAL (COAs)**

- If paleontologic materials are uncovered during construction, the operator shall immediately stop work that might further disturb such materials and contact the Authorized Officer (AO). A determination will be made by the AO as to what mitigation will be necessary for the discovered paleontologic material.

The interim seed mix for this location shall be:

| | | |
|-------------------------|----------------------------|--------------|
| Crested wheat grass | <i>Agropyron cristatum</i> | 4 lbs. /acre |
| Needle and Thread grass | <i>Stipa comata</i> | 4 lbs. /acre |
| Indian Rice grass | <i>Stipa hymenoides</i> | 4 lbs. /acre |

All pounds are in pure live seed.

Reseeding may be required if first seeding is not successful.

Final Abandonment seed mix for this location shall be:

| | | |
|-----------------------|--|--------------|
| Wyoming big sagebrush | <i>Artemesia tridentata wyomingensis</i> | 1 lbs. /acre |
| Four-wing saltbush | <i>Atriplex canescens</i> | 4 lbs. /acre |
| Blue gramma grass | <i>Bouteloua gracilis</i> | 4 lbs. /acre |

- The topsoil from the reserve pit shall be stripped and piled separately near the reserve pit. When the reserve pit is closed, it shall be recontoured and the topsoil respread, and the area shall be seeded in the same manner as the location topsoil.
- Once the location is plugged and abandoned, it shall be recontoured to natural contours, topsoil respread where appropriate, and the entire location seeded with the recommended seed mix. Seeding should take place by broadcasting the seed and walking it into the soil with a dozer immediately after the dirt work is completed.
- The well will be spudded within five years of the existing or supplemented NEPA documentation.
- The requested color for all permanent structures is Olive Black.
- The lessee/operator is given notice that lands in the lease have been identified as containing crucial winter deer and elk habitat. It is requested that the lessee/operator not initiate surface disturbing activities or drilling from November 1 to April 30. A survey may be conducted by a qualified biologist or a BLM representative during this timing period to determine if deer or elk are in the area.
- Within 90 calendar days of the approval date for this Application for Permit to Drill (APD), the operator/lessee shall submit to the Authorized Officer (AO), on Sundry Notice Form 3160-5, an Interim Surface Reclamation Plan for surface disturbance on well pads, access roads, and pipelines. At a minimum, this will include the reshaping of the pad to the original contour to the extent possible; the respreading of the top soil up to the rig anchor points; and, the area reseeded using appropriate reclamation methods. The AO will provide written approval or concurrence within 30 calendar days of receipt.

- The best method to avoid entrainment is to pump from an off-channel location-one that does not connect to the river during high spring flows. An infiltration gallery constructed in a BLM and Service approved location is best.
- If the pump head is located in the river channel where larval fish are known to occur, the following measures apply:
 - Do not situate the pump in a low-flow or no-flow area as these habitats tend to concentrate larval fishes; limit the amount of pumping, to the greatest extent possible, during that period of the year when larval fish may be present (see above); and limit the amount of pumping, to the greatest extent possible, during the pre-dawn hours as larval drift studies indicate that this is a period of greatest daily activity.
- Screen all pump intakes with ¼" mesh material.
- Report any fish impinged on the intake screen to the Service (801.975.3330) and the Utah Division of Wildlife Resources:

Northeastern Region
152 East 100 North, Vernal, UT 84078
Phone: (435) 781-9453

General Surface COA

Operator shall notify any active Gilsonite mining operation within 2 miles of the location 48 hours prior to any blasting during construction for this well.

DOWNHOLE CONDITIONS OF APPROVAL

All provisions outlined in Onshore Oil & Gas Order #2 Drilling Operations shall be strictly adhered to. The following items are emphasized:

SITE SPECIFIC DOWNHOLE CONDITIONS OF APPROVAL

- None

DRILLING/COMPLETION/PRODUCING OPERATING STANDARDS

- There shall be no deviation from the proposed drilling, completion, and/or workover program as approved. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned, shall be identified in accordance with 43 CFR 3162.6. There shall be a sign or marker with the name of the operator, lease serial number, well number, and surveyed description of the well. Any changes in operation must have prior approval from the BLM, Vernal Field Office Petroleum Engineers.
- The spud date and time shall be reported orally to Vernal Field Office within 24 hours of spudding.
- **Notify Vernal Field Office Supervisory Petroleum Engineering Technician at least 24 hours in advance of casing cementing operations and BOPE & casing pressure tests.**
- Blowout prevention equipment (BOPE) shall remain in use until the well is completed or abandoned. Closing unit controls shall remain unobstructed and readily accessible at all times. Choke manifolds shall be located outside of the rig substructure.
- All BOPE components shall be inspected daily and those inspections shall be recorded in the daily drilling report. Components shall be operated and tested as required by Onshore Oil & Gas Order No. 2 to insure good mechanical working order. All BOPE pressure tests shall be performed by a test pump with a chart recorder and **NOT** by the rig pumps. Test shall be reported in the driller's log.
- BOP drills shall be initially conducted by each drilling crew within 24 hours of drilling out from under the surface casing and weekly thereafter as specified in Onshore Oil & Gas Order No. 2.
- Casing pressure tests are required before drilling out from under all casing strings set and cemented in place.
- No aggressive/fresh hard-banded drill pipe shall be used within casing.
- **Cement baskets shall not be run on surface casing.**
- The lessee/operator must report all shows of water or water-bearing sands to the BLM. If flowing water is encountered it must be sampled and analyzed (a copy of the analyses to be submitted to the BLM Field Office in Vernal, Utah).
- All oil and gas shows shall be adequately tested for commercial possibilities, reported, and protected.

- The lessee/operator must report encounters of all non oil & gas mineral resources (such as Gilsonite, tar sands, oil shale, etc.) to the Vernal Field Office, in writing, within 5 working days of each encounter. Each report shall include the well name/number, well location, date and depth (from KB or GL) of encounter, vertical footage of the encounter and, the name of the person making the report (along with a telephone number) should the BLM need to obtain additional information.
- No location shall be constructed or moved, no well shall be plugged, and no drilling or workover equipment shall be removed from a well to be placed in a suspended status without prior approval of the BLM, Vernal Field Office. If operations are to be suspended for more than 30 days, prior approval of the BLM, Vernal Field Office shall be obtained and notification given before resumption of operations.
- Chronologic drilling progress reports shall be filed directly with the BLM, Vernal Field Office on a weekly basis in sundry, letter format or e-mail to the Petroleum Engineers until the well is completed.
- Any change in the program shall be approved by the BLM, Vernal Field Office. "Sundry Notices and Reports on Wells" (Form BLM 3160-5) shall be filed for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.
- Emergency approval may be obtained orally, but such approval does not waive the written report requirement. Any additional construction, reconstruction, or alterations of facilities, including roads, gathering lines, batteries, etc., which will result in the disturbance of new ground, shall require the filing of a suitable plan pursuant to Onshore Oil & Gas Order No. 1 of 43 CFR 3164.1 and prior approval by the BLM, Vernal Field Office.
- In accordance with 43 CFR 3162.4-3, this well shall be reported on the "Monthly Report of Operations" (Oil and Gas Operations Report ((OGOR)) starting with the month in which operations commence and continue each month until the well is physically plugged and abandoned. This report shall be filed in duplicate, directly with the Minerals Management Service, P.O. Box 17110, Denver, Colorado 80217-0110, or call 1-800-525-7922 (303) 231-3650 for reporting information.
- Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (BLM Form 3160-4) shall be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3162.4-1. Two copies of all logs run, core descriptions, and all other surveys or data obtained and compiled during the drilling, workover, and/or completion operations, shall be filed on BLM Form 3160-4. Submit with the well completion report a geologic report including, at a minimum, formation tops, and a summary and conclusions. Also include deviation surveys, sample descriptions, strip logs, core data, drill stem test data, and results of production tests if performed. Samples (cuttings, fluid, and/or gas) shall be submitted only when requested by the BLM, Vernal Field Office.
- A cement bond log (CBL) will be run from the production casing shoe to the top of cement and shall be utilized to determine the bond quality for the production casing. Submit a field copy of the CBL to this office.

- Please submit an electronic copy of all other logs run on this well in LAS format to UT_VN_Welllogs@BLM.gov. This submission will supersede the requirement for submittal of paper logs to the BLM.
- All off-lease storage, off-lease measurement, or commingling on-lease or off-lease shall have prior written approval from the BLM, Vernal Field Office.
- All measurement points shall be identified as point of sales or allocation for royalty determination prior to the installation of facilities.
- Oil and gas meters shall be calibrated in place prior to any deliveries. The Field Office Petroleum Engineers will be provided with a date and time for the initial meter calibration and all future meter proving schedules. A copy of the meter calibration reports shall be submitted to the BLM, Vernal Field Office. All measurement facilities will conform to the API standards for liquid hydrocarbons and the AGA standards for natural gas measurement.
- A schematic facilities diagram as required by Onshore Oil & Gas Order No. 3 shall be submitted to the BLM, Vernal Field Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in Onshore Oil & Gas Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with Onshore Oil & Gas Order No. 3.
- This APD is approved subject to the requirement that, should the well be successfully completed for production, the BLM, Vernal Field office must be notified when it is placed in a producing status. Such notification will be by written communication and must be received in this office by not later than the fifth business day following the date on which the well is placed on production. The notification shall provide, as a minimum, the following informational items:
 - Operator name, address, and telephone number.
 - Well name and number.
 - Well location (¼¼, Sec., Twn, Rng, and P.M.).
 - Date well was placed in a producing status (date of first production for which royalty will be paid).
 - The nature of the well's production, (i.e., crude oil, or crude oil and casing head gas, or natural gas and entrained liquid hydrocarbons).
 - The Federal or Indian lease prefix and number on which the well is located; otherwise the non-Federal or non-Indian land category, i.e., State or private.
 - Unit agreement and / or participating area name and number, if applicable.
 - Communitization agreement number, if applicable.
- Any venting or flaring of gas shall be done in accordance with Notice to Lessees (NTL) 4A and needs prior approval from Field Office Petroleum Engineers.
- All undesirable events (fires, accidents, blowouts, spills, discharges) as specified in NTL 3A will be reported to the BLM, Vernal Field Office. Major events as defined in NTL3A, shall be reported verbally within 24 hours, followed by a written report within 15 days. "Other than Major Events" will be reported in writing within 15 days. "Minor Events" will be reported on the Monthly Report of Operations and Production.

- Pursuant to Onshore Oil & Gas Order No. 7, this is authorization for pit disposal of water produced from this well for a period of 90 days from the date of initial production. A permanent disposal method must be approved by this office and in operation prior to the end of this 90-day period. In order to meet this deadline, an application for the proposed permanent disposal method shall be submitted along with any necessary water analyses, as soon as possible, but no later than 45 days after the date of first production. Any method of disposal which has not been approved prior to the end of the authorized 90-day period will be considered as an Incident of Noncompliance and will be grounds for issuing a shut-in order until an acceptable manner for disposing of said water is provided and approved by this office.
- Unless the plugging is to take place immediately upon receipt of oral approval, the Field Office Petroleum Engineers must be notified at least 24 hours in advance of the plugging of the well, in order that a representative may witness plugging operations. If a well is suspended or abandoned, all pits must be fenced immediately until they are backfilled. The "Subsequent Report of Abandonment" (Form BLM 3160-5) must be submitted within 30 days after the actual plugging of the well bore, showing location of plugs, amount of cement in each, and amount of casing left in hole, and the current status of the surface restoration.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

| | | |
|--|--|--|
| SUNDRY NOTICES AND REPORTS ON WELLS | | 5. LEASE DESIGNATION AND SERIAL NUMBER: UTU 57455 |
| Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals. | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A |
| 1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER _____ | | 7. UNIT or CA AGREEMENT NAME: N/A |
| 2. NAME OF OPERATOR: McElvain Oil & Gas Properties, Inc. | | 8. WELL NAME and NUMBER: Hanging Rock Federal #11-15 |
| 3. ADDRESS OF OPERATOR: 1050 17th St., Suite 1800 CITY Denver STATE CO ZIP 80265 | | 9. API NUMBER: 4304736888 |
| 4. LOCATION OF WELL FOOTAGES AT SURFACE: 675' FSL & 1867' FEL | | 10. FIELD AND POOL, OR WILDCAT: Oil Springs |
| QTR/QTR, SECTION, TOWNSHIP, RANGE, MERIDIAN: SWSE 11 12S 23E | | COUNTY: Uintah |
| | | STATE: UTAH |

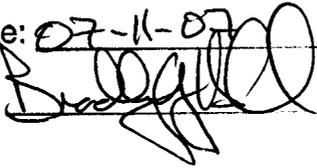
| 11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA | | | |
|--|---|---|---|
| TYPE OF SUBMISSION | TYPE OF ACTION | | |
| <input type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: <u>2/1/2008</u> | <input type="checkbox"/> ACIDIZE | <input type="checkbox"/> DEEPEN | <input type="checkbox"/> REPERFORATE CURRENT FORMATION |
| <input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: | <input type="checkbox"/> ALTER CASING | <input type="checkbox"/> FRACTURE TREAT | <input type="checkbox"/> SIDETRACK TO REPAIR WELL |
| | <input type="checkbox"/> CASING REPAIR | <input type="checkbox"/> NEW CONSTRUCTION | <input type="checkbox"/> TEMPORARILY ABANDON |
| | <input type="checkbox"/> CHANGE TO PREVIOUS PLANS | <input type="checkbox"/> OPERATOR CHANGE | <input type="checkbox"/> TUBING REPAIR |
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| | <input type="checkbox"/> CONVERT WELL TYPE | <input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION | |

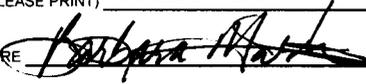
12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

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PLEASE SEE THE ATTACHED STATE OF UTAH FORM "APPLICATION FOR PERMIT TO DRILL - REQUEST FOR PERMIT EXTENSION VALIDATION"

Approved by the
Utah Division of
Oil, Gas and Mining

Date: 07-11-07
By: 

| | |
|---|-----------------------|
| NAME (PLEASE PRINT) <u>Barbara Martin</u> | TITLE <u>Engineer</u> |
| SIGNATURE  | DATE <u>7/2/2007</u> |

**Application for Permit to Drill
Request for Permit Extension
Validation**

(this form should accompany the Sundry Notice requesting permit extension)

API: 43-047-36888
Well Name: Hanging Rock Federal #11-15
Location: SWSE Sec. 11 T12S-R23E, Uintah County, Utah
Company Permit Issued to: McElvain Oil & Gas Properties, Inc.
Date Original Permit Issued: 7/14/2005

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Following is a checklist of some items related to the application, which should be verified.

If located on private land, has the ownership changed, if so, has the surface agreement been updated? Yes No

Have any wells been drilled in the vicinity of the proposed well which would affect the spacing or siting requirements for this location? Yes No

Has there been any unit or other agreements put in place that could affect the permitting or operation of this proposed well? Yes No

Have there been any changes to the access route including ownership, or right-of-way, which could affect the proposed location? Yes No

Has the approved source of water for drilling changed? Yes No

Have there been any physical changes to the surface location or access route which will require a change in plans from what was discussed at the onsite evaluation? Yes No

Is bonding still in place, which covers this proposed well? Yes No



Signature

7/2/2007

Date

Title: Engineer

Representing: McElvain Oil & Gas Properties, Inc.

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DIV. OF OIL, GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
UTU-57455

6. If Indian, Allottee or Tribe Name
N/A

SUBMIT IN TRIPLICATE – Other instructions on page 2.

7. If Unit of CA/Agreement, Name and/or No.
N/A

1. Type of Well

Oil Well Gas Well Other

8. Well Name and No.
Hanging Rock Federal #11-15

2. Name of Operator
McElvain Oil & Gas Properties, Inc.

9. API Well No.
43-047-36888

3a. Address
1050 17th Street, Suite 1800, Denver, CO, 80265

3b. Phone No. (include area code)
(303) 893-0933

10. Field and Pool or Exploratory Area
Oil Springs

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1867' FEL & 675' FSL (SWSE) Sec. 11, T12S-R23E SLB&M

11. Country or Parish, State
Uintah County, Utah

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|---|--|--|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Surface Reclamation</u> |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | Plan _____ |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | _____ |

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Interim Reclamation: Upon well completion, the reserve pit will be back filled and brought back to a contour that will not infringe on the well head. The North West & South West portion of the drill pad is required for production facilities and truck turnarounds. Noth East side of the drill pad will be brought to contour and reseeded.

Accepted by the
Utah Division of
Oil, Gas and Mining
For Record Only

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JUL 05 2007
DIV. OF OIL, GAS & MINING

14. I hereby certify that the foregoing is true and correct.

Name (Printed/Typed)
Barbara Martin

Title Engineer

Signature



Date 07/03/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 23, 2008

McElvain Oil & Gas Properties, Inc.
1050 17^H Street, Suite 1800
Denver, CO 80265

Re: APD Rescinded – Hanging Rock Federal 11-15 Sec. 11 T. 12 R. 23E
Uintah County, Utah API No. 43-047-36888

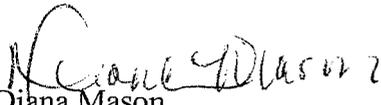
Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on July 14, 2005. On July 11, 2006 and on July 11, 2007, the Division granted a one-year APD extension. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective October 23, 2008.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,


Diana Mason
Environmental Scientist

cc: Well File
Bureau of Land Management, Vernal





United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Green River District-Vernal Field Office

170 South 500 East

Vernal, UT 84078

(435) 781-4400 Fax: (435) 781-4410

<http://www/blm.gov/ut/st/en/fo/vernal/html>



IN REPLY REFER TO:

3160

LLUTG01100

February 26, 2009

Barbara Martin
McElvain Oil & Gas Properties, Inc.
1050 17th Street, Suite 1800
Denver, CO 80265

43047 3 6888

Re: Notice of Expiration
Well No. Hanging Rock Federal 11-15
SWSE, Sec. 11, T12S, R23E
Uintah County, Utah
Lease No. UTU-57455

Dear Ms. Martin :

The Application for Permit to Drill the above-referenced well was approved on February 23, 2007. No extension of the original APD was requested. According to our records, no known activity has transpired at the approved location. In view of the foregoing, this office is notifying you that the approval of the referenced application has expired. If you intend to drill at this location in the future, a new Application for Permit to Drill must be submitted.

This office requires a letter confirming that no surface disturbance has been made for this drill site. Any surface disturbance associated with the approved location of this well is to be rehabilitated. A schedule for this rehabilitation must be submitted to this office. Your cooperation in this matter is appreciated.

If you have any questions regarding this matter, please contact me at (435) 781-4455.

Sincerely,

Cindy Severson

Cindy Severson
Land Law Examiner

cc: UDOGM

RECEIVED

MAR 10 2009

DIV. OF OIL, GAS & MINING